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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Deputy Justice Minister on Legal Basis of Economic Reform

18200191 Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 1 Jun 88 p 1

[Interview with Mikhail Andrianovich Shapkin, RSFSR deputy minister of justice, by G. Lomanov; date and place not given]

[Text] [Question] Mikhail Andrianovich, when reflecting on departmental norm creation, one well-known economist compared an inexperienced director with an elephant in a china shop—as soon as he turns around, he breaks something without fail. And an experienced manager with a slalom expert who skillfully goes around poles set out at intervals. Experience, of course, will come with time, but how much can one maneuver?

[Answer] Indeed, for many years economic legislation has become overgrown with powerful layers that not only interfered with forward progress but also often “retouched” governmental decisions in the direction of state-wide interests. That is why the need has arisen to re-examine it in a very serious fashion and to bring it into compliance with the USSR Law on a State Enterprise (Association).

By the beginning of this year, the RSFSR Council of Ministers had already completely or partially repealed 642 earlier adopted government decisions on various questions regulating economic activity. The ministries and departments have repealed or corrected tens of thousands of departmental norm acts. The republic's Ministry of Light Industry alone has recognized that 7,500 of the 9,000 orders and instructions of various types in effect are no longer valid.

[Question] The figures cited by you are simply startling. One unwittingly recalls Gulliver imprisoned by the Lilliputians—each of their cables is like a thread to the giant, but there are so many of them he cannot move. Has freedom of movement now appeared for the manager?

[Answer] A large amount of work has been done to establish the legal basis for the functioning of enterprises and the management system. A complete package of union and republic acts, which regulate mutual relations in the fields of planning, finances, logistics, deliveries, and product quality, has been issued for the USSR Law on a State Enterprise (Association). However ... is there much use if the motor turns but the drive belt is broken? In accordance with a report by the minister of justice, the republic's government recently examined the problems in increasing the effectiveness of legal means in insuring the restructuring of the RSFSR national economy. An inauspicious picture was revealed. A preliminary view of

the activity of more than 100 enterprises and organizations of various ministries, which were located in the Chita, Tomsk and Belgorod oblasts; the Chechen-Ingush ASSR; and a number of other places, showed that the changes and additions, which have been incorporated in legislation and departmental acts, are getting to them slowly and incompletely. The directors of factories and plants and their economic, legal and other services often do not know about repealed or newly adopted legal documents. This is especially typical of agroindustrial complex, trade, fuel industry, and construction material enterprises. This means that the new acts are still not in complete force.

Having removed the upper stratum of the layers, it is now necessary to plow more deeply. The second and more complicated stage has begun in the analysis and cleansing of all legislation of obsolete norms, which although they do not directly contradict the law, are not in the spirit of the reforms and are hindering reconstruction.

At the same time, it is necessary to update the so-called local (plant) norm base and to develop new regulations for enterprises, statutes on structural subunits and on wages and bonuses, and official instructions and other legal acts for plant actions that regulate their economic activity under cost accounting and self-support [samookupayemost] conditions.... In a word, the administration and work collectives must build their own norm “house” on the area that has been cleansed of anachronisms.

[Question] Will it not again become overgrown with “architectural excesses”? You see, people have still not gotten rid of the administration habit.

[Answer] That is true. A covering detachment against unchecked and unnecessary norm establishment is required. Many specialists are inclined to think that some type of “legal state acceptance” is required in this area. The question of state registration of departmental acts is now being examined—especially those which touch upon the interests of other branches and citizens. If—let us assume—a union or republic ministry of justice thinks that a document does not correspond to the spirit and the letter of the new legislation, it does not register it and it will be considered invalid.

[Question] But what if this act only concerns interdepartmental interests?

[Answer] The legal services of the ministry register it—of course, under the condition that their responsibility in solving these questions has been increased. I want to emphasize that the new times require new approaches to the preparation and approval of departmental norm acts: It is necessary to involve scientists and highly qualified specialists in this work and to discuss the drafts of the more important legal documents ahead-of-time in the work collectives—this corresponds to the spirit of democracy and glasnost.

[Question] A tendency is now being noted to raise the level of legal work in the national economy and to increase the authority of the judicial services. However, are they ready for their new role? You see, for many years the economic executives have learned to "slalom" and they have striven to go around the paragraphs in the laws and instructions which hinder their actions. The position of the legal consultant in enterprises was, let us say it right out, unenviable—they didn't pay him much and he was often the first to go during a reduction....

[Answer] In the final analysis, the results had an effect—in the Russian Federation, there are approximately 270,000 enterprises in which less than 50,000 lawyers work. Their competency does not always satisfy modern requirements; in a number of places, people without any special education—graduates of pedagogical, economic and technical VUZ—occupy these positions. Steps are now being taken to strengthen the legal services but there is clearly a shortage of lawyers. At one time, several law VUZ were disbanded; only two—in Sverdlovsk and Saratov—remain in the republic, not counting the law departments in universities. Only in one—Sverdlovsk—is there a special department which prepares personnel only for the national economy.

It is especially worthwhile to mention the participation of the bar in servicing the national economy. Solicitors service approximately 20,000 enterprises and organizations today on a contract basis. It is difficult to count on their wider participation—they have enough cases in their main work. In addition, not all solicitors have a good knowledge of economic law.

It is necessary to search for new forms. We are placing large hopes on legal cooperatives—they could service enterprises on a contract basis. This work can be especially effective for agroindustrial enterprises and small plants and factories which have to pay a pretty penny to keep a lawyer on their staff. Such suggestions have already arrived from several republic oblasts. Incidentally, the Law on Cooperatives provides for this form of cooperative activity.

Justice agencies have organized economic training in local areas for legal personnel, considering the new economic realities. In their turn, enterprise directors must raise their legal training. This is a twofold task and we have already begun to implement it. A number of oblasts, for example, have introduced legal certification of production commanders and council workers.

[Question] Mikhail Andrianovich, one of the key problems in the economic reform is the relationship of enterprises with the branch staffs. As before, it is difficult for a plant or factory director to break away from administration paths; the state order is already being ironically called a "state command". Everything in it has been written down in advance and there remains not the slightest reserve for concluding direct contracts with consumers.

[Answer] If they thrust a plan, which is not reinforced with resources and which does not conform to capabilities, on an enterprise, the enterprise can dispute it. A legal mechanism for doing this has been established. In April, the country's government approved a statute concerned with the State Board of Arbitration reviewing economic disputes. It clearly defines the procedure for reviewing acts by higher agencies and for declaring them invalid if they do not correspond to the requirements of legislation.

[Question] However—judging from the editorial mail—there is a procedure, but there is no work. The State Board of Arbitration is refusing to examine enterprise claims against a ministry.

[Answer] The problem here is more an economic than a legal one. It is possible to understand the arbitration workers—you will create a precedent, suits will gush out like an avalanche for the branch staffs, the five-year plan will be threatened. I do not think that only the State Board of Arbitration should assume this responsibility—become almost a supreme court in solving very complicated and urgent national and economic problems. This is the task of the highest economic departments—the union Gosplan, Gosnab and the State Committee for Prices.

Nevertheless, more substantive guarantees for enterprises and lower organizations against the arbitrary rule of higher bodies are required. During a recent meeting with the directors of the mass information media, M. S. Gorbachev reported that a decree is now being prepared on state orders, which should correct the distortions being tolerated here.

In general, one must admit that we still have extremely modest experience at our disposal in legally regulating dynamically changing economic processes. The mainspring of the economic reform is the unconditional fulfillment of contract obligations and the observance of delivery discipline. Here is an example: Last year, the republic's industry paid fines totaling more than 900 million rubles—threefold more than was saved by reducing production costs—is this really normal? Nonproductive expenditures often occur through the fault of cooperating partners but the enterprise victims usually do not recover the loss from the guilty parties. Legal levers are being used just as weakly during the introduction of intraorganizational cost accounting, the brigade contract, and other advanced forms for organizing and paying for labor, which are responsive to the essence of the economic reform.

In a word, quite a bit has been done but it is still only the beginning of profound and constant work to support restructuring legally.

Lenin's Support for Cooperatives Cited

18200178a Moscow *EKONOMICHESKIYE NAUKI* in
Russian No 4, Apr 88 (signed to press 15 Mar 88)
pp 25-32

[Article by Lev Borisovich Reznikov, candidate of economic sciences, senior scientific associate at the Problem Scientific Research Laboratory for Comprehensive Study of Economic Laws of Socialism at Moscow State University: "Cooperatives in Lenin's Concept of Socialism"]

[Excerpts] Ensuring the breakthrough on the theoretical front required by the party today is organically connected with the restoration of Lenin's concept of socialism. "The essence of restructuring," M. S. Gorbachev stresses, "lies precisely in the fact that it combines socialism and democracy and fully restores Lenin's concept of socialist construction in theory and practice" (1). An examination of Lenin's views in their *development* is an indispensable methodological condition for attaining an adequacy of this restoration. In this connection V. I. Lenin's last works, which, essentially, formed his political will, are of special interest. They include the article "On Cooperatives." In our social science literature its significance, as a rule, was connected primarily with the plan for socialist transformations in agriculture. Today, however, it becomes ever more evident that, along with the theory of socialist transformations in the peasant economy, Lenin's work contains a political and economic description of the most important features of *built-up socialism* and uncovers a number of basic structural elements in its economic basis.

V. I. Lenin includes among them primarily the power of the proletarian state "over all major means of production" (2). Thereby, he demonstrates the continuity with one of the fundamental tenets of K. Marx and F. Engels—on the objective need for the domination of public ownership of means of production in future society. As is well known, the founders of Marxism did not consider it possible to give recommendations concerning the details of the organization of future society. However, summing up the essence of the forthcoming socialist revolution, they invariably pointed to the socialization of means of production as the first requirement (3) absolutely necessary for it, which distinguished scientific socialism "both from all varieties of feudal, bourgeois, petty bourgeois, and other forms of socialism and from the vague 'community of property' put forward by utopian and spontaneous working-class communism" (4). Lenin's concept of socialism attaches decisive, constituting significance from the standpoint of the social nature of economic forms and relations—not only those whose birth is directly connected with the socialist revolution, but also those that are inherited by socialism from previous systems and are integrated and transformed into a period transitional from capitalism for the

needs of socialist development—to the fact of socialization of all basic means of production under conditions when political power is in the hands of the working class (acting in alliance with working peasantry).

First of all, V. I. Lenin includes cooperatives among such forms. Keeping in mind K. Marx's tenet that under the conditions of capitalism cooperative enterprises "reproduce and should reproduce all the shortcomings of the existing system" (5), V. I. Lenin on the basis of generalization of the experience gained during the first years of socialist construction draws a conclusion, according to which "under our existing system cooperative enterprises... do not differ from socialist enterprises if they are based on land with means of production belonging to the state, that is, to the working class" (6). This conclusion was of fundamental importance for the theory and practice of socialist construction and for the definition of its tasks and prospects and marked a substantially new formulation of the problem concerning the economic system of future society.

More specifically, the definition of the cooperative enterprise as a special form of the socialist enterprise, *first*, stressed the socialist primogeniture of cooperatives under the new historical conditions and, moreover, raised it to the rank of an integral part of the economic system of socialism. This interpretation of cooperatives differed fundamentally both from its qualification as a distribution apparatus during the period of "war communism" (a network of producer-consumer communes) and from its identification with the state-capitalist enterprise during the first (until 1922) years of the new economic policy. It followed from Lenin's new definition that "... a simple growth of cooperatives for us is identical... with the growth of socialism..." and that, if there had been.... full cooperation, we would have already stood with both our feet on socialist ground" (7).

Second, the definition under consideration introduced serious amendments into previously formed concepts of socialism as a system with only one public (state) form of ownership of means of production in all national economic spheres (where the whole society will be "one office and one factory" and *all* citizens, state employees). According to such concepts, cooperation is only a measure necessary for transforming small-scale commodity production (mainly peasant production) into socialist production and, accordingly, the use of cooperatives is confined to historical limits of the transitional period. However, the establishment of the socialist nature of cooperatives logically led to foreseeing in the work "On Cooperatives" the existence of the cooperative form of ownership and, consequently, under conditions of triumphant socialism to a description of the latter as a system not ruling out the possibility of being based on two forms of public ownership.

Third, the conclusion on the socialist nature of cooperatives also serves as an important argument in favor of the concept of immanence of commodity-money relationships in the first, socialist, phase of the new production method. For if cooperative enterprises do not differ

from socialist enterprises, the trade activity carried out by them in its social functions is not opposed to state, socialized trade. The urgency of V. I. Lenin's directives on the need for all possible development of cultural cooperative trade and all-around support by the proletarian state for "... such a cooperative turnover, in which *real masses of the population really participate*" (8), is understandable from these positions. Thereby, the following task was set: "To combine in practice the revolutionary scope, the revolutionary enthusiasm, which we have already manifested and manifested in a sufficient amount and crowned with full success... with the ability to be an intelligent and competent tradesman, which is quite sufficient for a good cooperative worker" (9).

Noting the role played by the uncovering of the socialist significance of the "cooperative principle" in the formation of Lenin's concept of socialism, in our opinion, specific types of cooperatives, that is, production, supplies and sales, credit, consumer, and other cooperatives, should not be set against each other. V. I. Lenin's cooperative plan encompasses *all types of cooperatives and all strata of the population without exception*. The demand "to make our population 'civilized' to such an extent that it would realize all the benefits from a general participation in cooperatives and would organize this participation" (10) also pertained to the working class. For example, various types of producer and consumer cooperatives were also supposed to become means of transforming it into the carrier of relations of a "system of civilized cooperative workers."

In our opinion, this circumstance makes it possible to evaluate in a broader context the importance of cooperatives as a form of linking public and private interests and not to limit this problem to a coordination of the interests of the proletarian state with peasants' private interests. Not accidentally, concerning the fantastic plans of old cooperative workers, who dreamt "about the peaceful transformation of modern society by socialism without due regard for such a basic problem as the class struggle, attainment of political power by the working class, and overthrow of the rule of exploiter classes," V. I. Lenin mentions Robert Owen (11). As is well known, the cooperative ideas of this thinker were addressed directly at the working class.

It is very important to stress: The exceptional significance of the role played by the "new principle of the population's organization" was connected not only with the potential inherent in it for linking personal and private interests with state interests, "their check and control by the state... their subordination to common interests..." (12), but also with the opportunities for *independent social creative work of the working masses*, in practice, opened up by cooperatives. This form makes it possible to carry out efficient state management directly through the workers themselves, not only for workers. In the structure of instruments of such management V. I. Lenin especially singled out economic privileges excluding methods of administration and volitional

coercion. "Cooperatives should be organized politically so that not only cooperatives in general and always have a certain privilege," he wrote, "but so that this privilege is a pure property privilege..." (13).

The explanation concerning the definition of state enterprises of "the successively socialist type" given in the article "On Cooperatives" is very significant for the restoration of Lenin's concept of socialism: "... means of production, the land on which an enterprise stands, and the entire enterprise as a whole... belong to the state" (14). Some authors, who comment on this thesis, overlook the fact that here it is a matter of enterprises functioning on the basis of full cost accounting with commercial principles inherent in it. V. I. Lenin by no means regarded such principles ("commercial accounting") and work for the market as something contradictory to the successively socialist nature of state enterprises, but considered them fully compatible with the system of socialist production relations.

The description of basic elements of the socialist economic structure (state ownership of basic means of production; successively socialist enterprises in the state sector of the economy; cooperative enterprises not differing from socialist enterprises; the commodity-money form of economic relationships among individual links of the economic system; centralized planned management of the national economy with the use of economic methods; independent social creative work of working masses and their active participation in management) unfolded in the article "On Cooperatives" (and a number of other mentioned works of this period) gives reason to talk about the development by V. I. Lenin of a new approach to the socialist economy, that is, about what he himself qualified as a "fundamental change in our entire point of view of socialism" (23). According to this approach, the center of gravity in the creation of the new society shifted "to peaceful organizational 'cultural' work", which "as an economic goal pursues precisely cooperation" (24). Moreover, V. I. Lenin concludes the article, "this cultural revolution is now sufficient to make the country fully socialist, but to us this cultural revolution presents incredible difficulties both of a purely cultural nature (because we are illiterate) and of a material nature (because, in order to be cultured, a certain development of material means of production and a certain material base are needed)" (25).

Lenin's definition of the cooperative system as the system of socialism also brought about a new formulation of the problem of the *relationship between cooperatives and the new economic policy*. Earlier (prior to 1922) cooperatives were considered a variety of the state capitalist enterprise, one of the forms transitional to socialism, and, therefore, one of the means (instruments) of the new economic policy. The interpretation of "general" cooperation of the population not only as the means, but also final goal, of socialist construction presented the new economic policy as the means of implementing it. According to V. I. Lenin, in order to

change over to socialism, it is necessary "to attain through the new economic policy the participation of the entire population without exception in cooperatives..." (26). Earlier he expressed himself in this connection even more definitely: "Not cooperatives should be adapted to the new economic policy, but the new economic policy to cooperatives" (27). The significance of the indicated formulation of the problem concerning the relationship between cooperatives and the new economic policy is evident. With the construction of socialism the latter exhausts its potentials, while the former, conversely, is established as an integral part of the economic and social structure of the new system.

Lenin's ideas of the new approach to the socialist economy were not accepted immediately and by no means by everyone. After V. I. Lenin's death the Trotskyites, as well as members of the "new opposition," put forward propositions that went against Lenin's legacy. Covering up their lack of faith in the victory of socialism in one, in particular our, country (appealing to its backwardness), the Trotskyites and "oppositionists" accused the party of overestimating the socialist maturity of the Soviet economy and its socialist capabilities. They dogmatically denied the successively socialist nature of the state industry, the socialist nature of cooperatives, the fundamentally new social content of state (domestic and foreign) and cooperative trade functioning on a socialist basis, and the formed monetary and credit system. "For a certain time and long at that," L. Trotsky preached, "the workers' state... will have to use capitalist methods, that is, market methods." G. Sokolnikov, one of the leaders of the "new opposition," echoed him. "Our foreign trade," he asserted, "is managed like a capitalist state enterprise... Our internal trade societies are also capitalist state enterprises... The State Bank is also a capitalist state enterprise. Our monetary system is based on the fact that in the Soviet economy... a monetary system imbued with the principles of the capitalist economy is taken."

These tenets were subjected to criticism at the 14th Congress of the All-Union Communist Party (of Bolsheviks). The congress confirmed the party's loyalty to the socialist construction plan outlined by V. I. Lenin and stressed the need for an ideological exposure of the revision of Leninism. The decisions of the congress noted that the "struggle... against attempts to consider our enterprises, which are enterprises of the 'successive socialist type' (Lenin), capitalist state enterprises" was one of the conditions of the struggle for the victory of socialist construction in the USSR. The need to increase the proportion of the "socialist industry, state and cooperative trade, nationalized credit, and other command heights of the proletarian state" was pointed out. This was interpreted as an "economic offensive of the proletariat on the basis of the new economic policy and the movement of the USSR economy toward socialism" (28).

Under the conditions of the administrative-command system of state management, which was established in

the 1930's and remained during the postwar years, Lenin's ideas of socialist construction, which were embodied in the economic practice of the first years of the new economic policy, were largely consigned to oblivion. At the same time, as M. S. Gorbachev notes, the "forms and methods of socialist construction forced by the situation, which reflected specific historical conditions of our country, were canonized and idealized and elevated to the rank of general immutable dogmas. As a result, an impoverished and oversimplified make-up of socialism with a hypertrophy of centralized management, with an underestimate of the diversity and wealth of people's interests and their active role in public life, and with pronounced leveling tendencies was formed" (29).

The deformation of Lenin's concept of socialism was manifested almost to the greatest extent in relation to cooperatives. First of all, the diversity of its forms was eliminated (for example, supply-sales and consumer cooperatives in cities in the 1930's and producer cooperatives in 1960) and their principles were subjected to serious distortions. Methods of management based on incentives connected with cooperative property were largely ignored. The cooperative nature of the forms that continued to exist, including of kolkhozes, was emasculated to a considerable extent.

Gross theoretical errors were manifested in the underestimate of the role of kolkhoz-cooperative property and its socialist nature under the conditions of triumphant socialism. The fact that, on the whole, kolkhoz-cooperative property, being less mature, as compared with state property, in the level of production, is more perfect in certain mechanisms of economic realization was ignored. Not accidentally, such of their elements as the direct connection of wages with final results of the collective's production and economic activity, self-support, and self-financing and such principles of cooperative democracy as self-administration and elective nature are now also introduced into the activity of state enterprises and are utilized efficiently for an improvement in social and economic relations in the state sector of the economy.

In our opinion, the attempts to connect the cooperative form of property exclusively with the backwardness of certain sectors and spheres of the economy and with their "underdevelopment" should also be considered erroneous. It seems that it is more correct to raise the question of the characteristics of such sectors and spheres (for example, agriculture, the service sphere, and small industrial activity) and, accordingly, of the specific nature of socialization of labor and production in them. Owing to this specific nature, in a number of concrete cases cooperative property possesses a higher economic and social potential than state property, which also predetermines its priority utilization as compared with state property.

Overcoming the incorrect attitude toward cooperative property as allegedly "second-rate" and "having no prospects" (30), which was condemned by the party, is one of the necessary conditions for a scientifically balanced determination of the ways of forming and developing public property. It is incorrect to interpret the establishment of the latter as some unilinear process of pulling cooperative property up to the level of state property. The immediate existence of public property is not a ready prerequisite, but a result being formed, a process, in the course of which development occurs on the basis of internal contradictions of both state and cooperative property. Their live interaction and mutual enrichment and a synthesis of their most perfect features meeting present and future requirements take place.

The growth of cooperatives is obligatory and promising under the conditions of an all-around democratization of society and a fundamental reform of the economic mechanism. A practical utilization of the entire wealth of Lenin's ideas of cooperatives and the diversity of their modern forms opens up the possibility for an additional enlistment of millions of workers in socially useful activity and independent social creative work and makes it possible to introduce the policy of competition in meeting public needs for goods and services and to counteract efficiently the monopolistic tendencies of the state sector of the economy and the domination of the producer over the consumer.

The adoption of the USSR Law on Socialist Cooperatives plays an important role in the creation of economic and legal conditions for the all possible expansion of existing forms of cooperatives and creation of their new types. It should possess a resolving and protective power capable of lending a new impetus to the long-term development of cooperatives and contribute to their transformation into one of the real "subsystems" of the socialist economic and social system. An acceleration of the country's social and economic development and the strengthening of socialism in practice should be the only "working criterion" of the cooperative movement.

Entering the new stage in restructuring today, we carefully, as never before, read and ponder over V. I. Lenin's last works, which give the highest examples of revolutionary dialectics and creative development of Marxism on the basis of an analysis of a concrete historical situation. "As is well known," M. S. Gorbachev noted in the report "October and Restructuring: the Revolution Continues," "Lenin criticized the limitations of 'cooperative socialism.' However, under the specific conditions created after October as a result of the attainment of power by the people he looked at this problem in a new way. The article 'On Cooperatives' develops the tenets of socialism as a society of 'civilized cooperative workers'" (31). The uncovering and creative utilization of the entire vast methodological and theoretical potential of this article is the urgent and peremptory demand of the time of revolutionary changes.

Footnotes

1. M. S. Gorbachev, "Perestroyka i novoye myshleniye dlya nashey strany i dlya vsego mira" [Restructuring and New Thinking for Our Country and for the Whole World], Moscow, 1987, p 31.
2. V. I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 45, p 370.
3. See: K. Marx and F. Engels, "Soch." [Works], second edition, Vol 22, p 567.
4. Ibid, p 532.
5. K. Marx and F. Engels, "Soch.," second edition, Vol 25, Part I, p 483.
6. V. I. Lenin, "Poln. sobr. soch.," Vol 45, p 375.
7. Ibid, p 376.
8. Ibid, p 371.
9. V. I. Lenin, "Poln. sobr. soch.," Vol 45, pp 372-373.
10. Ibid, p 372.
11. See: Ibid, p 375.
12. Ibid, p 370.
13. Ibid, p 371.
14. Ibid, p 374.
23. V. I. Lenin, "Poln. sobr. soch.," Vol 45, p 376.
24. Ibid.
25. Ibid, p 377.
26. Ibid, p 372.
27. V. I. Lenin, "Poln. sobr. soch.," Vol 54, p 195. V. Danilov's article "October and the Agrarian Policy of the Party" (see: KOMMUNIST, 1987, No 16, p 34) points out this Leninist interpretation of this relationship.
28. "KPSS v rezolyutsiyakh i resheniyakh syezdov, konferentsiy i plenumov TsK" [CPSU in Resolutions and Decisions of Congresses, Conferences, and Plenums of the Central Committee], Moscow, 1970, Vol 3, p 247.
29. M. S. Gorbachev, "Perestroyka i novoye myshleniye dlya nashey strany i dlya vsego mira," p 42.
30. See: "MATERIALY Plenuma Tsentralnogo Komiteta KPSS 27-28 yanvarya 1987 goda" [Materials of the Plenum of the CPSU Central Committee on 27-28 January 1987], Moscow, 1987, p 9.

31. M. S. Gorbachev, "October and Restructuring: the Revolution Continues." Report at a joint festive meeting of the CPSU Central Committee, the USSR Supreme Soviet, and the RSFSR Supreme Soviet devoted to the 70th anniversary of the Great October Socialist Revolution in the Kremlin Palace of Congresses on 2 November 1987, Moscow, 1987, p 10.

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11439

Close Producer-Consumer Link Requires Market for Orders

18200178b Moscow *EKONOMICHESKIYE NAUKI* in Russian No 4, Apr 88 (signed to press 15 Mar 88)
pp 66-72

[Article by Vladimir Petrovich Tretyak, candidate of economic sciences, head of the Department of Political Economy at the Leningrad Institute of Railroad Transport Engineers: "Production to Order and Commodity-Money Relationships"]

[Text] Under the conditions of the entry of the USSR Law on the State Enterprise (Association) into force the journal's reader has the right to expect from the debate on commodity-money relationships by no means an ordinary series of manipulations with arguments borrowed from previous numerous hot "battles" and, probably, not even global all-embracing theoretical generalizations. The appearance of some theoretical substantiations (or at least fruitful formulations), on the basis of which a fundamental answer can be given to specific everyday questions raised by the radical restructuring of the management system, would also become a success. Unfortunately, the editorial department, apparently, proved to be right when, directing the participants in the debate toward the development of "new political economic approaches and proposals clearly lighting up certain practical aspects of the restructuring of management," expressed fear that, otherwise, the discussion risks "turning into an ordinary splash of scholastic theorization cut off from life" (1).

Trying to get away from this danger, which, as it seems, made itself felt in the course of the debate, we will turn to the most important concrete problem of restructuring and its initial point—a radical change in the situation of the primary production link.

One of the distinctive aspects of such a change lies in the fact that "*the enterprise should independently draw up and approve its five-year and annual plans, proceeding from public needs on the basis of state orders, direct orders of enterprises and organizations, and consumer demand*" (2). In this situation *the political and economic study of production to order and its place in commodity-money relationships of real socialism renewing its economic structure* seems very timely.

Some Theoretical and Historical Prerequisites

First of all, we would like to recall one of Lenin's definitions of commodity production, which uncovers the essence of the latter from the standpoint of the interrelationship of production and consumption. In the article "Introduction of Socialism or Exposure of Embezzlement of State Property" V. I. Lenin wrote the following: "Pure capitalism is commodity production. Commodity production is work for *an unknown and free market*" (3). This means that under the conditions of classic commodity production consumers, first, are unknown to the producer and, second, can freely select the supplier (of means of production or consumer goods). Next, this means that the undermining of commodity production (4) immanent in the imperialist stage of capitalism with absolute necessity leads to the undermining of work for an unknown and free market and to the appearance of a number of forms of production for paid orders of consumers (of both means of production and consumer goods). What are these forms?

First, monopolies break the barriers of individualization in intrafirm relations, forcing their affiliates to work according to orders. At the same time, the activity of the latter is controlled from a single center.

Second (and this concerns "foreign" relations), monopolies economically force small and average capitals to produce to their order, granting them equipment and semifinished products.

Third, studying and taking the market into consideration, monopolies begin to use their own production widely for paid consumer orders (externally this is formulated, in particular, as trade by samples, catalogs, and mail).

Fourth, forms of work to the order of the treasury of the bourgeois state are developed. V. I. Lenin qualified these forms as "of course, no longer 'pure' capitalism, but a special type of the national economy" (5). During the period of extreme situations and social shocks on a global scale (a world war or a natural calamity) the bourgeois state resorts to the rationing (6) of some acutely scarce goods; for example, bread.

Even this cursory enumeration of the forms of production to order gives reason to conclude that, along with the market of goods, a new phenomenon—a market for consumer orders—exists under imperialism. The formation and development of such a market represents the establishment of one of the forms of movement and resolution of the immanent contradiction in imperialism between the gigantic growth of socialization of production and preservation of the commodity basis of capitalism. In this sense monopolistic production to order (7) appears as a transitional *form combining commodity and noncommodity principles*, as one of the social and economic prerequisites for socialist production to order.

Various Types of Interrelationships of Production and Consumption Under Socialism and Work to Order

Various types of interrelationships of production and consumption, whose singling out and analysis serve as a mandatory condition for clarifying the place of production to order in the structure of economic relations, exist under the conditions of real socialism.

The production of socialist enterprises to the orders of the final consumer, which form the basis for the state order, is the *first* type of such an interrelationship. In the sphere of production of means of production the realization of material wealth is carried out either through direct relations of enterprises, whose establishment is mediated by a social and economic center, or through wholesale trade in means of production, which is "carried out to the orders of consumers without limits and allocations" (8). In the second subdivision a significant part of the products are produced at socialist enterprises to the order of the state, which is formed on the basis of orders of individual or collective consumers.

In other words, a form of such production for paid orders of consumers known in advance, the activity of its links being mediated by a social and economic center or its subdivision, exists within the framework of this type of interrelationship of production and consumption. In fact, elements of work for an unknown market are absent here. The market of orders under socialism begins to develop within the framework of this type of interrelationship of production and consumption (in parallel with the existing market of goods).

The *second* type of the examined interrelationship encompasses production, whose economic links are also mediated by a subdivision of the social and economic center, but the assignment of society is formed not from current paid orders, but on the basis of advance claims. In this case we also deal with production for a certain consumer. However, there are also distinctive features here. In the first subdivision an enterprise carries out work for the ordered products and sells them through a system of material and technical supply (9). In the second subdivision this is production of consumer goods on assignment from the state, which are sold through a trade network without taking into consideration its order and contrary to it (and also rationing of produced products, which almost disappeared from present economic practice). This type of interrelationship of production and consumption should also include purchases from cooperatives and the population if procured products are to be sold through the system of centralized allocation of material resources, or distributed in a leveling manner to individuals of a certain social group.

Despite the fact that the consumer is known in this case, apparently, it is impossible to talk here about the absence of elements of work for an unknown market, because the structure of products developed on the basis of advance claims may not meet the really changed requirements.

A similar situation is also created in the following *third* form of interrelationship of production and consumption, when direct relations among enterprises are involved. Both state enterprises and cooperative farms can act as agents here. As already noted, if such relations are established among enterprises performing a certain function in public cooperatives and are regulated from the social and economic center, the first of the investigated types of production and consumption interrelationships takes place. However, decentralized direct relations established on the initiative of labor collectives (10) are not based on the forms of work for paid consumer orders. In our opinion, these direct relations without an intermediary represent an ordinary trade deal. Although work for the address, known consumer takes place here, in fact, the establishment of such direct relations presupposes that at times the consumer does not know about other possible suppliers and the producer does not have a general idea of the needs of other consumers. Furthermore, decentralized (or accidental) orders, as a rule, are filled not from stocks created for this purpose in advance, but require a certain production time. This means that direct relations not mediated by the center or its subdivisions contribute to the intensification, not weakening, of the element of work for an unknown market.

Forms of production to the order of trade belong to the *fourth* type of interrelationship of production and consumption. In the sphere of production of means of production this is small-scale wholesale trade devoid of a system of advance consumer orders and in the sphere of creation of consumer goods, retail trade. In this type of interrelationship of production and consumption the work of state and cooperative links of the socialist economy, as well as individual labor activity, is carried out to the orders of socialist trade and is oriented toward the nonaddress consumer partially studied by trade.

The *fifth* type of interrelationship of production and consumption, which is also widespread in the socialist economy, presupposes decentralized production to the order of trade. Various cooperatives, as well as persons engaged in individual labor activity and selling products through consumer cooperatives, can become agents in this type of interrelationship. Products sold through consumer cooperatives and developed on the basis of contractual relations by state enterprises in excess of the state order also belong here.

The production of cooperative farms and of individual labor activity for the local market forms the basis for the *sixth* type of socialist interrelationship of production and consumption. Products developed at state enterprises and kolkhozes in excess of the state order and sold on an unknown and free market (including in firm stores) belong here. Thus, the work of individual producers for an unknown market and elements of real commodity circulation, when surplus products are put on the market, exist in this type of interrelationship of production and consumption.

Finally, there is another, *seventh*, type of relationship of production and consumption in the socialist economy: The population procures products (mushrooms, berries, potatoes, and so forth) for its own consumption and these products do not receive a commodity form. This type should also not be dismissed when analyzing the depth of development concerning certain elements of commodity-money relationships, because it comprises the reserve for an expansion of other types of production and consumption interrelationships presupposing the development of the element of work of individual producers.

The singled out types of socialist forms of production and consumption interrelationships are not of a "pure" and absolutely finished nature. Apparently, a detailed analysis can also uncover more fragmented subtypes, which will contribute to the solution of practical problems of improvement in management.

Contradictoriness of Work to Order and the Problem of the Nature of Production Under Socialism

The offered description of the structure involved in the types of interrelationships of production and consumption makes it possible to speak of the existence of an objective basis for various views of the nature of production under the conditions of real socialism.

First of all, there is reason to consider production directly social. If we place emphasis on centralized forms of work for paid consumer orders and in production for the purpose of an allocated distribution (and besides perceive in Soviet trade the incipient apparatus of a direct distribution of products), such a conclusion seems tempting. However, the complication lies in the fact that, as A. Lyubinin noted correctly, there is a need for a "fine tuning" of unit production directly dealing with demand" (11). Is it possible to develop specific recommendations for this "tuning," for overcoming the shortage of phenomena of overstocking and mismatch between the monetary mass and commodity coverage, proceeding from the concept of production under socialism only as directly social?

If, however, we proceed primarily from the fact that money still holds all the above-noted forms "in a vice" quite strongly and from the constant transformation of semophysical forms of individual labor activity into a commodity activity and if we place special emphasis on negative elements in existing methods of realizing means of production, it is fully possible to arrive at D. Smol'dyrev's conclusion on the "new type of commodity production" (12). However, is it worth returning to formulas, whose effectiveness casts doubt on monopolistic capitalism? Is it not clear that the market of the era of small-scale commodity production "with an open, equal, and direct 'voting' of consumers with the ruble" (13) will never become an ideal barometer in the gigantic socialist economy, since it did not become such even for the economy (14) of imperialist countries?

In our opinion, the contradictoriness of socialist forms of production and consumption interrelationships becomes an occasion for proclaiming the formula of socialist "planned marketable production" (15). However, is it possible to consider relations appearing in the noted sixth and seventh varieties of interrelationships of production and consumption "planned marketable relations"? Is the degree of "planned marketability" in the first and, for example, fifth type of interrelationship of production and consumption the same? Moreover, it is hardly advisable to reject right away any position in the debate if it is set forth in a sufficiently logical manner and makes it possible to uncover the element not taken into account in an analysis of commodity-money relationships.

I would like to draw special attention, first, to the fact that *the same enterprise can be the agent in various types of interrelationships of production and consumption*. It can be the subject of interrelationship of the first type if it carries out the production of an article to the order of society based on orders of final consumers. The same enterprise can produce a product to the order of the state and sell it through the system of material and technical supply. Then there is a participation in the second type of interrelationship of production and consumption. Entering contractual relations based on direct contacts, the same enterprise becomes the subject of the third type of interrelationship of production and consumption and so forth.

In any case it is clear that the socialist enterprise (association) as a commodity producer (16), entering into various types of interrelationships of production and consumption, can differently realize the elements of its material individualization. It reproduces real commodity-money relationships of a varying degree of development and these commodity-money relationships are not at all a superficial manifestation of directly social production, but represent an integral description of the system of socialist production relations.

As was repeatedly pointed out in the literature, the degree of socialist socialization of production at its different sections is highly unequal. In some spheres of the economy a relatively high level of this socialization has been attained and more mature types of interrelationships of production and consumption are reproduced. Therefore, commodity producers, entering into certain interrelationships with final consumers, resort to elements of material individualization to a minimal degree. However, in spheres with a low level of development of productive forces, where the degree of socialization of production is smaller, less mature types of interrelationships of production and consumption are reproduced regularly.

Entering into interrelationships with the market, the commodity producer enterprise is forced to realize material individualization to a great degree and the objective significance of commodity-money relationships is much higher here.

Thus, it seems incorrect to talk about a single level of development of commodity-money relationships under socialism. Therefore, to fight for a general development of commodity-money relationships of any one level of maturity seems as incorrect as to call for their curtailment in the entire national economy.

On the Market of Orders Under Socialism

If we analyze the historical process of developing the system of production relations under socialism from the point of view of improvement in the form of interrelationship of production and consumption, it is not difficult to conclude that the forms of work for paid consumer orders do not appear in the socialist economy at once. Their appearance is preceded by the formation of production based on public property, the activity of its links being regulated from the social and economic center (or its subdivision). At the same time, in the sphere of production of means of production products are sold through the allocated distribution system. Here demand is represented in the form of claims made over quite a long period and the results of activity of supplier enterprises represent supply. In the part of production of consumer goods products are created for the market and are sold primarily through the trade network, that is, for the unknown solvent consumer.

The increased level of development of productive forces demanded new types of interrelationships of production and consumption. Direct economic relations among enterprises, as well as wholesale trade in means of production, which are based on work for paid consumer orders and whose functioning is mediated by the activity of a certain subdivision of the social and economic center, can be considered the first sprouts of the new variety of such an interrelationship. In the sphere of creation of consumer goods the production of consumer goods to the orders of organizations, in turn, trading to the orders of final consumers becomes such a sprout. Order departments servicing enterprises and citizens and trade by samples, catalogs, telephone, mail, and so forth can be mentioned as such.

The forms of work for paid consumer orders, which are developing in the course of implementation of the radical reform in the system of planned management, should be consolidated into a single system in the future. This means that the interrelationship of production and consumption, which rests on forms of work for paid consumer orders, will begin to reproduce the market of orders in an expanded way.

The main long-term trend in this reproduction is seen in a gradual displacement of the elements of work for the unknown consumer. We shall try to map out as a forecast only some of the most general outlines of the developed system of socialist production to the order of final consumers and of the developed market of these orders (17).

Whereas under present conditions (when socialist production managed from the social and economic center still works to a significant degree for the partially studied nonaddress consumer) the formation of national economic proportions occurs primarily before the beginning of the process of meeting needs, a general use of production for paid consumer orders creates the possibility of forming these proportions *after* the process of meeting needs has already begun (this, of course, presupposes that this process is carried out from a previously created stock). Such an organization of production will make it possible to reduce to a significant degree losses of social labor owing to the noncorrespondence between the structure of the product produced in the national economy and the structure of really made purchases.

Furthermore, whereas in the first case, in practice, the process of production develops independently of consumption (and the latter can affect the former only through the sphere of sales of output), in the second case mass production directly depends on changes in the structure of effective needs and develops in accordance with these changes. Here the sphere of consumption has the opportunity to effect directly the production process itself. Therefore, with the development of socialist forms of work to the order of consumers production is able to react flexibly to changes in the structure of society's effective needs in the form of flows of paid orders and the public sector will get rid of a superfluous freezing of labor in the sphere of sales of output.

Under conditions when the forms of production to the order of the consumer are absent, the social and economic center is forced to determine a priori the structure and volume of needs in society and then, leaning on this probability value, to set assignments for individual links in the national economy. However, within the framework of the system of production for paid consumer orders the plans for the production of primary socialist production links are formed on the basis of the dynamics concerning the orders of final consumers and general state commercial information. This means that under the conditions of domination of production for paid orders the supply of goods will be transformed into a stably maintained system of stocks, from which products enter the sphere of direct consumption, replacing the commodity form with the monetary form. The system of stocks itself is replenished with the results of activity of primary production links during each time interval. Thus, emphasis in the economic role of the socialist state will be shifted from the effect on production (through the directive plan) and on consumption (through sources of income and the movement of prices) characteristic for the socialist economy before the period of restructuring toward the intensification of control over the movement of centralized orders in the sphere of commodity circulation. At the same time, the independence of producers and the effect of consumers on production will increase significantly and the amount of the stock in circulation will have a tendency toward a reduction (as compared

with the stock that would have to be kept to meet the same volume of effective needs during work for an unknown market).

Returning to an examination of the present state concerning the system of production relations under socialism, we would like to note that the *process of forming the market of orders is only coming into being*. The entry of the USSR Law on the State Enterprise (Association) into force, on the one hand, will gradually develop this market as a result of the displacement of claims and development of such types of production and consumption interrelationships, in which elements of enterprise work according to a state assignment detailed down to trifles would be absent. The latter will be replaced with state orders, to which the system of "a detailed list of assignments for the output of products" rejected by life (18) should be alien. On the other hand, detailed assignments are displaced owing to the development of the market of goods, which is formed as a result of the development of contractual relations concluded by enterprises in excess of the state order. This means that *material individualization of primary production links, which reproduces real commodity-money relationships regulated by the law of value, will be developed more intensively in the socialized production of real socialism*. As state orders and contractual relations among socialist enterprises and organizations develop, all other types of interrelationships of production and consumption will undergo changes and, consequently, a base for the introduction of a system of production for paid consumer orders will be prepared.

Footnotes

*Continuation of the discussion begun in No 8 of 1987.

1. EKONOMICHESKIYE NAUKI, No 9, 1987, p 50.

2. "Materialy Plenuma TsK KPSS 25-26 iyunya 1987" [Materials of the Plenum of the CPSU Central Committee on 25-26 June 1987], Moscow, 1987, p 86.

3. V. I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 32, pp 318-319.

4. See: V. I. Lenin, "Poln. sobr. soch.," Vol 27, p 322.

5. V. I. Lenin, "Poln. sobr. soch.," Vol 32, p 318.

6. I would especially like to stress that the imperialist state, not the Land of the Soviets, is the homeland of rationing. V. I. Lenin considered the bread card "a typical model of regulation of consumption in modern capitalist states..." (V. I. Lenin, "Poln. sobr. soch.," Vol 34, p 179).

7. Monopolistic production to order is by no means its only presocialist form (for example, the work of handicraft workers to the order of the consumer can be recalled). Work to the order of the final consumer, which

means that the latter is known, and work to the order of the intermediary (buyer or trade capitalist), which is only a variety of the work for an unknown consumer, should also be differentiated (see on this: N. V. Khessin "V. I. Lenin o suschnosti i osnovnykh priznakakh tovarnogo proizvodstva" [V. I. Lenin on the Essence and Basic Criteria of Commodity Production], Moscow, 1986, p 97).

8. On restructuring of material and technical provision and of the activity of Gosnab SSSR under the new conditions of management: "Decree dated 17 July 1987 of the CPSU Central Committee and the USSR Council of Ministers," "Sbornik postanovleniy pravitelstva SSSR" [Collection of Decrees of the USSR Government], first section, 1987, p 725.

9. "A seemingly distinctive 'rationing system,' in essence, continues to operate in the area of material and technical supply in our country. ... Orders, like any cards, are always bartered not for the quantity of goods, which is really needed at a given time and place, but for the entire quantity envisaged in allocations and orders" (V. Nemchinov, "Socialist Management and Planning of Production," KOMMUNIST, No 11, 1987, p 27).

10. Model rules of various types of cooperatives in the section about the cooperative's production and economic activity note that the right "to enter into contractual relations with state, cooperative, and other public organizations" is reserved to the cooperative ("Model Rules of the Cooperative for the Creation of Consumer Goods," "Sobraniye postanovleniy pravitelstva SSSR," first section, No 10, 1987, p 216); EKONOMICHESKAYA GAZETA, No 3, 1988, p 16.

11. EKONOMICHESKIYE NAUKI, No 9, 1987, p 58.

12. See: EKONOMICHESKIYE NAUKI, No 8, 1987, pp 48-58.

13. Ibid, p 58.

14. As the authors of the monograph "Kapitalizm na iskhode stoletiya" [Capitalism at the End of the Century] edited by A. N. Yakovlev note, a return to "laissez faire" is not possible at all (see: "Kapitalizm na iskhode stoletiya," Moscow, 1987, p 134).

15. See: B. Rakitskiy, "Commodity-Money Relationships and Independence of Socialist Enterprises," EKONOMICHESKIYE NAUKI, No 9, 1987, p 65.

16. The Political Report of the CPSU Central Committee to the 27th Party Congress drew attention to the need to intensify the independence, initiative, and responsibility of associations and enterprises and to increase

their role as socialist commodity producers (see: "Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuza" [Materials of the 27th Congress of the Communist Party of the Soviet Union], Moscow, 1986, p 39).

17. At greater length about this see: V. P. Tretyak, "Pryamyye svyazi v sotsialisticheskoy ekonomike" [Direct Relations in the Socialist Economy], Leningrad, 1986.

18. L. I. Abalkin, "Leaning on the Lessons of the Past," KOMMUNIST, No 16, 1987, p 14.

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11439

Paper Examines Domestic, Foreign Operation of New Banks

18200180a Moscow SOVETSKAYA ROSSIYA in Russian 7 May 88 p 3

[Article by Edvard Maksimovskiy: "Bankers"]

[Text] "Where can money be obtained?"

"How much do you need?"

"If you please, not more than a million rubles."

"Visit an auction. The address is: Moscow, Khrustalnyy Lane, House No. 1, Agroprom Bank. It is not far from Red Square."

Was this a fantastic dialogue? Not really. The radical banking reform is producing a situation in which money is the same object of wholesale "purchasing and sales" as machines, fuel or construction materials. I overheard the words spoken by the chairman of the USSR Gosbank administration N. Garetskiy: "Complete cost accounting is unthinkable in the absence of a money market." And a market has its own laws.

An enterprise which has the reputation of being a strong master will with the passage of time be capable of obtaining unlimited financial resources for its own economic plans. This is certainly true if it is able to gain trade in a dispute with its competitors. Yes and at the present time, at the start of the reform, one must devote serious concern to the problem of credit and prove his ability to pay. Mass parasitism on the part of enterprises and living at the expense of the state is a thing of the past. For the sake of state money which is slipping away in the quicksand of financial irresponsibility, a specific master has appeared: a self-supporting specialized bank.

This is great news for our state.

How Should the Ruble Be Restructured?

An extraordinary event in the agrarian circles of Mytishchinskiy Rayon. The director of the Sovkhoz imeni Timiryazev returned empty-handed from a bank. But there was a phone call from Ryazan. The call was from the director of a suburban farm: "Just as in the past, the banks are telling us what to do." His voice was excited.

It was a painful question. The farm deposits its earnings in the bank and thus can it not withdraw that money at its discretion? "Our money belongs to us." About 4 years ago, the chairman of the Murmansk Udarnik Fish Farm Yu. Timchenko complained to me: "Memorial badges were issued on the occasion of the kolkhoz's jubilee. The cost—one and a half gold pieces. But try to obtain this money, even though the kolkhoz does not have a hole in its pocket: one must be a millionaire."

Here is what D. Orlov, chief of the Moscow Oblast Agroprombank, had to say: "At the Mytishchinskiy Branch, a sovkhoz requested not its own money but rather ours. And the request was soundly rejected. Would you issue a loan for 500 rubles if you entertained doubts as to whether or not it would be repaid? And they were requesting one and a half million from us. In the form of credit. This would also be a loan. For what purpose? For the ill-considered construction of an animal husbandry facility. The guarantee for the return of the loan—a written obligation. That is, a piece of paper. One year ago, this would have sufficed. Today this trick no longer works."

The keys of a selector are heard and information is received from the Agroprombank on Khrustalnyy Lane, House No. 1: the deferred indebtedness of farms amounts to 280 million. This amount is sufficient for building 10 new sovkhozes.

And the money was spent. Agrobank, no longer entertaining any hope of the money being repaid, still was obligated to pay interest to Gosbank. An unprofitable legacy handed down by somebody else. This heavy burden from the past has been imposed upon the newly created specialized bank. It should be noted that Moscow Oblast is by no means the worst in this regard. To the north and east, the rural obligations are at times simply monstrous. Of 251 billion rubles worth of credit issued throughout the country, payments have been deferred for 66 billion rubles worth. This represents one half the value of all of the fixed productive capital of the agroindustrial complex.

What does this mean in terms of everyday language? One out of every two tractors or combines or one out of every two cows, sheep and so forth purchased at the expense of the state budget. As a minimum, one out of every two agroprom workers is not backing up his earnings with output. And how many billions have been written off or

absolved since the May Plenum of 1982? A life of loans in which a careless manager can take a "money bath," similar to a sun-bath, without fearing the consequences.

"This was not our intention."

The State Is Rich and Will Come To the Rescue

"In the future, no such rescue is contemplated. The role of stimulating production is being returned to credit. There was a loophole in the state budget and it was referred to as the bank. Imagine if you will a safe which has many clever locks with ciphers up front, but which has no rear wall. The June Plenum eliminated the loophole. The bank became a cost accounting enterprise. The same as a plant or sovkhoz. Here is an analogy. Our raw material is money. Loans constitute our product. The very process of issuing credit is tantamount to the sale of products. The interest rates for loans represent our earnings. Similar to the usual enterprise, we make payments to the state budget and we form our own material incentive and social development funds."

"And if a sovkhoz does not return the money..."

"We lose earnings."

"And also the bank?"

"And each of our workers. Each one! Henceforth, the earnings of Soviet bankers will be "floating." Our major concerns now are cost accounting rather than budgetary ones. The Mytishchinskiy Sovkhoz stumbled over the bank reform and the personal material interest of our banker. He explained that the sovkhoz did not have a feed base at its disposal. And it plainly will be unable to feed the thin animals which it maintains. Hence, there is no real potential for increasing the number of animals. No, we will not cast our money before the winds of economic uncertainty."

"Why do you consider it to be your money? The resources are turned over to you from the top of the bank pyramid, based upon the financial plan for the oblast agroprom [agro-industrial committee]."

"It is as we choose. One more analogy is needed for clarity."

We Have a Contract With Gosbank

And together with it we also have collective responsibility for the faultless maneuvering of the state's monetary resources. A real owner has now appeared for the state money: with a first name, last name and position. Its interest is in forcing the ruble to turn over as rapidly as possible and to work in behalf of restructuring.

However, the hunger of agroprom for this type of resource is great and we have no fear of having an excess of goods on hand. Now and then there are rare incidents

involving the dictates of a salesman, with the purchaser winning out. I have in mind the population, which loses a great deal as a result of the extravagance of our farms.

"Hence, a strong master can expect to be the first to receive credit. But in so doing are you not depriving weak and backward farms of their last chances?"

"The sovkhoz which we turned down could turn for support to the agro-industrial committee. We have adequate guarantees from the oblast APK [agro-industrial committee]. We will issue the money. But if the loan is not repaid within the stipulated amount of time, we will recover it from the committee. The committee is the guarantor!"

"And where will the committee obtain the money? All of the oblast's agrarian finances are under our control."

"No, not all of them. The committee has a centralized insurance fund. It is based upon withholdings from kolkhozes, sovkhozes and other enterprises."

"Is it like a "black cashbox"? And money is added to it only by profitable farms. It turns out that once again the leader must make payment—through the centralized fund—for all credit that was not repaid. Again we have an equalizing redistribution of profit."

"It is somewhat alike. But I believe we must have an end to this wasteful practice. It is obvious that economically unpromising farms must be eliminated. This is bankruptcy."

And during the 13th Five-Year Plan, this problem can only be handled in this manner. But first of all it will be necessary to restore order to our economy. The obligations of other times constitute a grave legacy. Liquidation is carried out only rarely. A sound practice is that of ensuring equal economic opportunities for all collectives and only after this has been done establishing stern demands. The agrobank believes that each farm must be given a program and a chance at normalizing its economy and finances. This strategic work must be carried out by the agro-industrial committee. In behalf of such programs—thoroughly studied by our experts—we are prepared to issue credits.

How Profitable Is It To Sell Money?

I asked Orlov how we are referred to—as bank workers or as bankers? We discussed this by no means idle question, since we had in mind the principle of bank reform. We drew the conclusion—that the first definition does not reveal the dependence of a worker upon the cost accounting results of his labor. A worker executes tasks. A financial figure is required for the reform. The term "banker" corresponds more to the role played by a worker at a specialized bank, which is materially and personally dependent upon an ability to trade in money which belongs to society.

But not in the usual sense!

Caricatures spring to mind. Stout foreign men in pinstripe suits, wearing top-hats and smoking thick cigars. And a huge bag filled to the brim with sparkling metal.

And Is It Necessary To Devise That Which Has Already Been Invented?

In this regard, it is appropriate to turn to the words of Lenin: "Large banks constitute a type of state apparatus which we need for implementing socialism and which we take in a prepared state from capitalism. Here our only task consists of cutting off that which, from a capitalist standpoint, disfigures this excellent apparatus and making it stronger, more democratic and more all-embracing. This is state bookkeeping, a type of skeleton for our socialist society."

These lines were drawn from the article entitled "Will the Bolsheviks Retain State Authority?" In the preface to its second edition, Lenin wrote: "The present task consists of ensuring that the practice of the leading class—the proletariat—proves the vitality of the worker and peasant government." Thus it is in this context that we examine the question of banks.

Objective economic laws have no limits. There is the technology for commodity production. There is a vehicle that follows the route set by the driver. The face of a large private entrepreneur turns sallow in color when the name of Marx is mentioned. But even he, whether he wishes to or not, daily takes advantage of the economic categories of Marxism.

Meanwhile, we ourselves, while zealously professing Marxism, have not learned how to manage a socialist economy in a Marxist manner. Words which were only recently pronounced from a high tribune are recalled: our commodity-money relationships are fulfilling auxiliary tasks.

"We are learning," I was told by the director of the Kemerovo Sovkhoz, A. Nagayev, organizer of the first rural joint-stock company in Siberia. "We are learning," this phrase was also uttered during a discussion with B. Krekov, the general director of the Glavmosoblstroymaterialy Association, in which new forms had appeared for economic and financial cooperation between workers and enterprises.

These were unusual terms. The usual goal—"in the interests of society..."

I recorded the words of the chairman of the administration for USSR Gosbank N. Garetovskiy: "Complete cost accounting is impossible in the absence of a money market." What does this mean? There is a vital need for cost accounting in a free and unlimited trade in the means of production. Under self-financing conditions, a labor collective must be able to handle its capital in an

efficient manner. A means of production market is essentially a market for capital, a competition for monetary sources or, more simply, for bags of money.

"Not necessarily one's own money" stated the chief of Agroprombank D. Orlov, "Credit is a universal resource. Today we are telling the oblast's kolkhozes, sovkhozes and agricultural combines to provide a guarantee for their ability to pay. Certainly, this is still far from being a money market. Let us take a payment for credit. We pay Gosbank for the use of money "contracted" for. The difference is our income.

Agricultural enterprises must be placed under conditions in which they must earn the right to credit. A competition or an auction. And what phrase is heard most often at an auction? "Who will pay more?" The same is true here: who will give the largest interest rates for a loan? Hence, capital begins to flow into farms having highly profitable plans.

Moreover, economically weak farms may also appear in this group. There is nothing terrible in this. Why should not an efficient idea be financed? Moreover, we are prepared to perform in the role of partners and not just as creditors. That is, together with a farm we can accept responsibility for a profitable plan. Such ideas are already being implemented in Moscow Oblast.

Thus Still Another Unusual Word—Consortium—Has Appeared

Translated from Latin it means participation or cooperation. In the encyclopedias of the 1970's, this was exclusively a foreign word: "temporary agreement between several capitalist banks or industrial companies for the purpose of carrying out a single capital-intensive plan." But we wished to look beyond the word and ascertain its purpose.

From a report not of D. Orlov to the chairman of the administration for the USSR Agro-industrial Bank A. Obozintsev.

Restructuring of the national economy requires a maximum amount of initiative and the rejection of old stereotypes. Under conditions in which the banking system is converted over to cost accounting, a requirement will exist for ensuring self-financing and self-support for the banks. The creation of agricultural consortiums in Moscow Oblast is in keeping with the basic interests of a bank and the farms. The participants in them willingly unite their reserve resources, jointly increase the volumes for the production, processing and sale of agricultural products and they share their profits proportionally to the contribution made.

The structure of consortium may vary. Its participants necessarily include a bank as its principal investor, a construction contractual organization and a farm with its own workers, who create the surplus product.

The first consortium in the country was created at the Shchapovo OPKh [experimental model farm] of the All-Union animal Husbandry Institute of VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin]. The address: Moscow Oblast, Podolskiy Rayon. Agroprombank was the principal initiator.

I asked Orlov: "Why was Shchapovo selected? Was it not because the enterprise had a high level of milk production intensity or that it was a strong enterprise with healthy finances? In short, I hinted at the fact that it was a safe and risk-free variant.

"No, this was not the case" replied Dmitriy Lvovich, "In the report note, mention was made of reserve opportunities which remain untouched, since Shchapov lacks the resources needed for utilizing them. This requires partners—partners with money and authority. The Shchapovo is expanding by means of a consortium which, in addition to us, includes the Agrostroy Association, the Mostransstroy Trust, the All-Union Scientific Research Institute of Animal Husbandry, the Zveroprom Association, the Vneshtekhnika All-Union Association and even the Izvestiya Publishing House.

What Are We Engaged In Doing?

Initially we are creating a fur farm: highly resourceful work. We are counting upon carrying out currency operations.

For us this is a new form for the application of capital. We are learning the art of trading in money. Not at interest rates with doubtful guarantees of the type "wait for a reply as a nightingale waits for summer," but under our direct control and with partnership participation in the profit. Provision is made for dividends. How much will they be? This will depend upon us.

"Let us establish a mark of equality between profitability and the dividend for a home. The profitability is 25 percent and the dividend should be the same."

"I agree, but only with such a profitability level. We made carried out preliminary computations and we assume that our profitability will be higher by a factor of 2-3. And by no means is this the highest indicator in the country."

"Last year the Nazarovskiy Sovkhoz in Krasnoyarsk Kray had a profitability of 308 percent in animal husbandry."

"A stunning result. However, taking into account the program for the consortium for expanded reproduction, we still are not placing the stamp of equality between the profitability and the income withdrawn. Although I am not concealing our task—to form our own financial resources.

"In order to reduce the dependence upon Gosbank? To have, so to speak, your own reserve?"

"We constitute an enterprise. The purpose of any cost accounting enterprise is profit. Our own money? Yes, our own. The gain? Minimum—it derives from the fact that nobody is responsible for it, three Gosbank percentage points remain in our treasury. Maximum—to immediately place money in circulation: still through the consortium. At the present time, two have been created and still another in Naro-Fominskiy Rayon. We are preparing recommendations for 11 more. Nothing will hinder the naming of consortiums as state joint stock enterprises. For whomever it pleases. However, in Naro-Fominskiy Rayon the possibility is not excluded of attracting the private work savings of manual and office workers."

True, I have my own opinion in this regard and yet if a solution is found for the free wholesale trade for cash, as proposed in SOVETSKAYA ROSSIYA (issue of 29 April 1988), "live money" would turn out to be attractive for the consortium.

What investment is being made by the All-Union Scientific Research Institute of Animal Husbandry? An idea! Their own scientific workers: the creation of genetically valuable animals. It is employing the latest engineering achievements for improving its construction and modernization plans: continuous renovation of the technologies, machines and equipment belonging to our association.

What about the contractual construction organizations? Pre-planning, planning-research, construction, repair and start-up and adjustment operations. Moreover, I wish to emphasize that this will come about with no harm being inflicted upon our planned operations for the carrying out of national economic orders, chiefly by means of reserves.

The Zveroprom Association (it provides monetary resources. It does not have enough of its own—we provide on a contractual basis) plans a fur farm, participates in the formation of a brood herd and procures feed. The association organizes and trains first class fur breeder specialists. But we must look beyond the international market: what is the demand? What new trends are appearing? A chief concern is that of not wasting a moment, of reorganizing the selection processes in a timely manner and also the assortment of species. If this is not done, we will be squeezed out of the market and be left without currency.

"But why does a consortium require currency?"

"To keep pace with the international market and its technology. The Vneshtekhnika Association maintains direct foreign-economic and scientific-technical contacts with the firms and enterprises of foreign countries. And initially, acting upon its own initiative, it invests its own convertible currency."

And finally, the Shchapovo Experimental Farm: personnel, use of its own working capital, the storage, processing and sale of products, bookkeeping, territory.

"Such dissimilar enterprises. Chosen at random. And what capital?"

"During the initial stage alone, approximately 15 million rubles will be required. The fur farm alone will require 4 million. And in addition we must set up a swine farm, hothouses, a broiler facility and a processing complex. The first phase will be placed in operation at the end of the year. Construction commenced only recently at a high tempo. This result of the consortium was also brought on by the merging of bank and industrial capital. Thus money is becoming a product."

According To What Principle Are the Participants Selected?

This is not a random question. Agroproizdat displayed interest in the hope of thus improving the food supply for its collective. Is it perhaps possible that the proportion of profit is being issued only in rubles?

"Why? Either in currency or in natural products. Thus the Gidromontazh Trust, which is subordinate to the Naro-Fominsk Kryukovskiy Consortium, immediately stipulated that its dividend would be selected in the form of livestock products."

We are prepared to examine any business-like recommendations, particularly those based upon an organization such as Agropromizdat. It is possible to organize advertising-publishing work both within the country and on the international market. Exhibit our goods in person! This association converted over to cost accounting and in accordance with the Law Governing a State Enterprise is authorized to handle its own profit.

"Nevertheless, select rich partners. But can miracles happen for a poor peasant?"

"No. The Novyy Mir Sovkhoz, which is subordinate to the Kryukovskiy Consortium, was on the verge of ruin. A question had even arisen concerning its ruin. Today, following the signing of an agreement for a consortium, its fate is no longer in doubt. Stockholders have resolved to improve the sovkhoz until it is numbered among the highly productive ones."

"In what rayons of Moscow Oblast are consortiums expected to appear?"

"One such formation is nearing completion in Klinskiy Rayon. At the Maleyevskiy and Klinskiy sovkhozes, we are building an enterprise with a high economic return: a fur farm and hothouse combine. The plans also call for similar installations in Dmitrovskiy, Solnechnogorskii, Odintsovskiy, Mozhayskiy, Lyuberetskiy and Istrinskiy rayons."

"The number of agro-industrial combines in Moscow Oblast is also increasing. These are also a type of consortium. With the passage of time, many of them will become powerful territorial formations. In closeness and with no offense intended. But what if an offense is intended? The combines will also utilize our credit. Will there not be a gain in one area and a loss in another?"

"We are not losing. The consortiums are immediately establishing cooperative contacts with combines, right up to the establishment of partnerships. Thus the Nara Combine became a part of the Kryukovskiy Consortium. Obviously not entirely, but on a share participation basis. Precisely as a partner of the bank, the Gidromontazh Trust and the Agropromstroy Association. What is a consortium? It is a cooperative of state organizations. It is subordinate to its own directors and to nobody else.

Is Competition Between Combines and Consortiums Possible in the Future?

Flexible production operations which instantaneously reflect the market conditions and which take into account the fluctuations in demand and supply are of assistance in avoiding ruinous rivalry. This by no means excludes a market campaign either within the country or abroad, in which the winners are those who are able to achieve the best quality and originality in their output.

But it is in healthy competition and an atmosphere lacking in deceit that the advantages of the socialist method of management manifest themselves: free exchange of technological and commercial secrets, with a need for the transfer and redistribution of production structures and capabilities, a concentration of all types of resources on priority projects and joint planning.

In accordance with our own Soviet opinion, exactly what is the art of selling money? It is the ability to convert it into goods that are truly required for the population.

Orlov thought for a moment and then added: we are becoming bankers, not merely creditors but in fact direct participants in agro-industrial production. Merchants. And this is an important new development drawn from the practice of restructuring.

"If I was the director of a sovkhoz, I would ask:

Do You Not Wish To Trade With Europe?

And what can we recommend for the French, the Germans or Italians? Initially on a non-currency basis—goods for goods.

"And what would be the advantage for a bank?"

"We will accelerate the return of credit. We will raise the profitability of the farms and consortiums in which the bank's own money is invested. Or a tax may be imposed upon intermediate operations. There are many variants."

A letter from Kalna (FRG) to the director of the Moscow Agroprombank.

"With this letter, we wish once again to confirm our interest in carrying out deliveries of prefabricated panel houses in the USSR in conformity with the attached catalog on a non-currency basis."

"At the same time, we ask you to inform us as to the type of goods that the Soviet side can deliver to us in compensation for our expenditures."

"Respectfully, president of the IPS Firm Babek Serush."

"Dmitriy Lvovich, how did the IPS Firm learn about our intentions?"

"We did not conceal them" laughed Orlov, "I inquired of the rural farms and also consumer cooperation—what did they wish to sell to the Europeans and receive in exchange? A fairly good list was obtained. Peat, bone meal, secondary resources. But the demand was mainly for equipment and construction materials."

Initially we held a consultative meeting with a cooperative bank in the FRG. On another occasion, telephone calls poured in from other foreign banks. They had a very efficiently organized information system. Who did we wish to meet with? With the leaders of enterprises. Why should not contacts be organized at the USSR Gosagroprom [State Agro-industrial Committee] level? The reply: the level is too high. It happens that we sit down, talk and at best prepare a protocol dealing with our intentions. And everything bogs down. But with a manager it is possible to reach an agreement immediately and to ascertain immediately who needs what.

We did not procrastinate. We gathered together our own and foreign dealers in the International Trade Center. A contact was made and there will be trade.

There is still one other commercial channel—Soviet banks abroad. We sent our recommendations there. Foreign owners acquainted themselves with these recommendations. The Parisian Agrobank displayed initiative—it contacted French firms and recommended cooperation in mutual deliveries. The same held true for the consortium. Business-like relationships are being established with the Finns. Today all prohibitions have been removed in international trade.

We have certain plans. Why is it that Agroprombank does not earn currency directly?

Orlov holds in his hands a catalogue from a West German firm.

"Such cottages should be erected in the Moscow area, for example, alongside the Rus Restaurant, which is favored by foreigners, who should be served for currency. Or an agreeable sanitation center should be organized: landscape, walking path, diet, physical exercises. Such a proposal has already been received from a western firm. In Austria, a customer pays 5,000 dollars for a week's stay at such a center."

How Can Three Obstacles Be Overcome?

Obstacle No. 1. Collectors obtain money from organizations and turn it over to a branch of a specialized bank. This represents tremendous work—to count the money and thereafter to issue it. And the collection revenue is retained fully by Gosbank.

Obstacle No. 2. USSR Gosbank is creating a network of its own authorized representatives in the various areas. The leading bank, concerned with the country's financial strategy, intends to implement not economic but rather fiscal supervision over other banks. Who will maintain them? The rayon branches of Agroprombank. Again by means of its own cost accounting income. What about restructuring?

Comment by the editorial board. While the article was being prepared for the press, a decision was handed down calling for the elimination of the Gosbank representatives. The reform is correcting its own mistakes while in progress. But we decided to retain the last paragraph: as actual testimony of the dynamics of restructuring.

Obstacle No. 3. Orlov estimated: if the agricultural combine in Voskresenskiy Rayon had not adopted his recommendation, it would have lost roughly 50,000 rubles during 1988 alone in connection with the maintenance of workers attached to the FRTs [finansovotraschetnyy tsentr; financial-accounting center].

The FRTs appeared together with the Kuban Agricultural Combine. Today there are dozens of them. The FRTs accumulates the resources of enterprises attached to the combine. It is as though a type of "pocket bank" is in use. But is this true? Eighty five percent of the accounts nevertheless pass through a specialized bank; the FRTs turns out to be merely a level or an element between a farm and the bank. Highly paid intermediaries? The salaries in the FRTs (15 percent of the accounts)—350 rubles. In a rayon branch of Agroprombank—180 (85 percent). In this manner, up to 100,000 rubles are collected for the expenditures for maintenance of the FRTs.

Subsequently the banks begin paying the farms for storage of their free resources. This is a considerable source of income for the kolkhozes and sovkhozes and it

casts doubt upon the feasibility of the FRTs. But far-seeing leaders of combines hold stubbornly to them. The reason for this has to do with financial considerations. I reached this conclusion following meetings with the general directors of a number of APK's [agro-industrial committees]. A combine of the Kuban type, as a form of administration, objectively gravitates towards a concentration of economic authority and hence towards the suppression of independence in local enterprises. And of what value is authority in the absence of finances? It is easy to predict the next step—elimination of the legal independence of farms, with their subsequent conversion into structural subunits. Calls for this have already been sounded. Will this not lead to a reduction in the level of cost accounting independence and to the appearance of a cumbersome, loose and poorly administered giant sovkhoz in place of the combine?

As you can see, all is not proceeding smoothly beneath the agrobank moon.

But the Bankers Have Also Changed

They are presently striving to create their own independent resource funds. And you may remain confident that when the count reaches hundreds of millions and billions, a healthy and energetic Soviet ruble will appear in our economy, one which will enter into equal partnership with the convertible currency of the international market.

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INDUSTRIAL DEVELOPMENT, PERFORMANCE

Instrument-Building Ministry Supports Enterprises in Transition

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[Article by G. Mergelov, chief of the Finance Administration of the USSR Minpribor [Ministry of Instrument Making, Automation Equipment, and Control Systems] and doctor of economic sciences: "The Ministry and Cost Accounting (Experience in the Sector's Work)"]

[Text] A year of working under the conditions of full cost accounting and self-financing is not a great deal of time for drawing conclusions about the effectiveness of the new methods of management and economic operation. However, our initial experience makes it possible to sum up to a certain extent and to determine the progress that the instrument-building associations and enterprises have made and the drawbacks that they have encountered.

A number of the sector's associations and enterprises have coped successfully with the 1987 plan and have fulfilled the principal indicators—for delivery of output

in accordance with contracts and for profit. Many of them have added supplemental funds to provide for economic incentive and have channeled an appropriate part of their above-plan profit into the budget.

Over the past two decades, the ministry's enterprises have taken part practically in all the economic experiments conducted in our sector. The most significant one was its shift in 1970 to cost accounting methods of operation and self-financing, which applied the principle of normative profit distribution for the first time. In the process, the ministry guaranteed planned payments to the budget for the sector as a whole, regardless of end results. And although we did not manage to accomplish everything that had been planned, the system of self-financing at the level of a sectorial unit contributed to the sector's stable operation in many respects.

The ineffectiveness of economic norms in associations and at enterprises must be grouped with the drawbacks of this system, inasmuch as their stability (as well as of the five-year plan itself, incidentally) could not be secured during the 5-year period. The norms "worked" only with the distribution of above-plan profit. Moreover, when the budget was taken into account, enterprises' cost accounting was weakened, since the financial losses of unprofitable enterprises were covered at the expense of those in stable operation.

The system of self-financing which has been in effect in the sector since the beginning of 1987 is unquestionably a progressive one and involves a more developed form of cost accounting. It extends enterprises' rights substantially in shaping plans, reducing the number of directive indicators, and utilizing long-term economic norms for the 5-year period; on this basis, it ensures that economic management methods, and so forth, are reinforced.

The system of profit distribution being utilized today is built on the foundation of long-term economic norms and allocations are made to the budget, the higher organ, and for an enterprise's own needs. In addition, the mechanism for forming economic incentive funds has been simplified. Practically all the financial resources of an enterprise are concentrated in the economic incentive and social development funds and the fund for developing production and science and technology. Each one of the funds cited has undergone substantial changes. Thus, the economic incentive fund includes the means to pay for all types of bonuses, excluding those which are paid from the wage fund (that is, a unified wage fund is organized at enterprises which have selected the form of normative income distribution). The social development fund includes expenditures such as those for maintaining nursery schools and pioneer camps and for covering ZhKKh [housing and municipal services], which were previously paid by a profitable enterprise.

Expenditures related to the development and assimilation of new technology are now being made from the fund for the development of production, science and

technology. In addition, expenses such as an increase in the norm of internal working capital, for the repair and upkeep of local vehicle roads, and other expenses have been taken into account. At the same time, the basic type of expenditures which were previously covered from this fund—for technical re-equipment, renovation and expansion of production—has been retained as well. Enterprises have acquired the right to manipulate their financial resources, guided by production necessity.

The new system of self-financing put an end to the practice of redistributing and immobilizing funds that were not specified by normative deductions. Funds now may be redistributed only on the basis of economic norms. Experience in past years provides the grounds for maintaining that the new system's effectiveness depends to a large extent on the stability of economic norms. Previously, they had only a temporary effect even on a sectorial level and they did not provide enterprises with the confidence that the economic gains acquired as the result of their activity would be utilized for the collective's interests. Enterprises did not have the opportunity to plan production and social development for the near future, since they were oriented only toward the financial resources which were limited by the framework of the annual plan.

Reliable prerequisites are being provided at present for the stability of norms over a 5-year period, with assignment of targets by years. Based on the estimated balance of incomes and expenditures for the 1987-1990 period, economic norms for the sector as a whole have been approved by the USSR Gosplan and the USSR Ministry of Finance for all years of the 12th Five-Year Plan. The ministry has provided the appropriate norms for all associations and enterprises.

At the present time, the ministry has a centralized fund for the development of production, science and technology at its disposal, and reserves have also been developed for the economic incentive and social development funds, which unquestionably will contribute to norm stability over the 5-year period.

It is common knowledge that instrument building is one of the high-priority sectors. In the 12th Five-Year Plan, its production volume should increase by 1.7 times as much, including an increase in the output of computer hardware by 2.2 times as much; we will have to update over 70 percent of the products being turned out and ensure that practically all the most important types of products are at the level of current world requirements by 1990. The production cost of output in the sector should be reduced by no less than 15 percent; it is planned to acquire more than 12 billion rubles of profit in the 1987-1990 period; more than 4 billion rubles of this is subject to payment to the state budget. Data such as this attest to the intensiveness of the five-year plan targets.

The sector has been preparing in earnest for the transition of associations and enterprises to full cost accounting and self-financing. Particular attention has been given to personnel training, and joint seminars attended by association and enterprise managers have examined the basic principles of the new system of economic operation and the central problems of economics.

In order to establish normal operating conditions, the ministry considered it necessary to reinforce the financial base of associations and enterprises from centralized funds: a total of 13 million rubles were provided to 23 enterprises to make up for their shortage of working capital; 49 plants were compensated with 11 million rubles for their overexpenditure from the unified fund for the development of science and technology; and working capital was increased by 31 million rubles in conformity with the norms for 36 plants. Individual enterprises and associations were provided with temporary financial assistance totaling 16 million rubles.

During the period of preparation for operation under the new conditions, the ministry encountered the problem of working out norms for profit distribution in the 1987-1990 period. The point is that the basic proportions of the plan, the incomes and expenditures, including payments to the budget and the amounts of the economic incentive funds, were predetermined in the five-year plan both for the sector as a whole and for individual enterprises. The ministry could not go beyond the parameters of the five-year plan, although requests were made by individual association and enterprise managers to increase the amount of profit left at their disposal.

The first version of profit distribution norms, which was tied to the annual targets of the five-year plan, proved to be unsuccessful. Enterprises' norms turned out to be "tooth-shaped," primarily because of uneven distribution of capital investments by years of the five-year plan. For this reason, the ministry, in coordination with the Commission for Improving Management, Planning and the Economic Mechanism, decided to average out the profit distribution norms by years so that enterprises would have norms for the payment of production funds and deductions from profit for the budget and for forming economic incentive funds that are better proportioned. However, this measure forced the ministry to ask the USSR Stroybank [Bank for Financing Capital Investments] for credit totaling more than 300 million rubles.

It is necessary to work out norms that are better substantiated in shaping the plan for the 13th Five-Year Plan period. This is a complicated problem, but we must look for ways to resolve it in the best way possible even today. The problem of developing unified norms even in a single sector is not a simple one, since each enterprise has its own characteristics (different rates of production, types of output, level of profitability, equipment, degree of automation, social conditions provided, and so forth).

Reducing all these integral parts to a common denominator is complicated. It is obvious that we will have to utilize group norms in the future, at best.

It also has to be taken into consideration that averaging out the economic norms by enterprises (and not by years) will lead inevitably to an unjustified increase in economic incentive funds at some enterprises and a reduction at others.

As far as deductions from profit for the budget are concerned, it is necessary to differentiate the norms here in accordance with a scale in relation to the level of profitability. This suggestion was submitted officially to the USSR Council of Ministers by the USSR Ministry of Instrument Making, Automation Equipment, and Control Systems as far back as April 1986, though the right to apply this principle was granted only to the USSR Ministry of Chemical and Petroleum Machine Building for some reason.

The development of economic norms, which must be completed in 1989, is complicated by the fact that the new wholesale prices will be established only for 1990. Just what will the norms calculated on the basis of the prices in effect be worth? We cannot dispense with the traditional "chess" of additional incomes and losses for sectors and enterprises here, and complicated new calculations (possibly multiple variations) will be required. The technology of this work should be thoroughly worked out beforehand.

The shifting of associations and enterprises to full cost accounting and self-financing establishes realistic prerequisites for the preferred application of economic methods of management, activation of cost accounting levers and stimuli, and reinforcement of labor collectives' interest in end results. The attitude of associations and enterprises toward technical re-equipment and the introduction of new technology is changing as well. They have begun to use the resources that have been earned more economically; they are trying to raise the technical level of production primarily through efficient utilization of available production capacities and to use measures which do not require capital investments (certification and efficient utilization of work places, increasing use of the shift system in work, and so forth).

Enterprises are being oriented to a greater extent today toward highly efficient types of equipment which provide the maximum performance in the shortest periods of time (flexible production systems and modules and rotary conveyer lines). Enterprises discontinued the use of nearly 200 units of metal-cutting equipment valued at about 6 million rubles in 1987.

Monitoring of the wage fund has become more exacting, which has made it possible to reduce the amount of its overexpenditure compared with last year from 1.9 million rubles to 0.9 million rubles.

Development of the social area has been stepped up substantially. While 88 million rubles in capital investments were utilized for the construction of housing, children's preschool institutions, pioneer camps, and so forth in 1986, 110 million rubles were spent in 1987.

The shift to the new conditions of economic operation has given new impetus to the development of collective forms of labor organization, including the collective contract. Work is being carried out purposefully to introduce cost accounting in shops, sections and brigades.

Positive work results have been achieved at the leading enterprises chiefly because of the high level of organization in production management and the skilled engineering personnel and economic services when materials and component items are provided comparatively regularly. At the same time, a significant number of associations and enterprises have not coped with the planned targets, which has had an effect on the overall indicators of the sector's work.

In 1987 the sector fulfilled the production volume plan by 110.1 percent with a growth rate that was 110.1 percent of the preceding year (the increase in output in the 1986-1987 period was equal to the increase achieved in the first 4 years of the previous five-year plan); the consumer goods plan was fulfilled by 100.2 percent and one-third of the assortment was brought up to date. Updated output accounted for 7.1 percent (with the target set at 6.8 percent) and 700 new types of products were turned out. At the same time, the proportion of the most important products which conform to the world technical level reached 60 percent and exceeded the target for the year. The plans for overall capital investment volume, introduction of production capacities, deductions from profit for the state budget, and payments of the turnover tax were fulfilled.

At the same time, there was a decline in major indicators such as those for product delivery in accordance with contracts and for profit. The sale of products where fulfillment of contract obligations are taken into account added up to 97.2 percent, which is two points lower than in 1986. The plan for profit was fulfilled by 97.9 percent.

What is the reason for such reductions?

Experience by Minpribor enterprises in operating under the new conditions has shown that the system of self-financing can function normally and be efficient only in a well-adjusted economic mechanism, with interaction among all its basic parts, and when the reforms outlined are carried out comprehensively in all the basic directions for restructuring the system of managing the economy. This is a task involving many plans and is complicated. Its successful implementation depends to a large extent on central economic departments. The new system of economic operation places higher demands on

planning and material and technical support. It is precisely here that there are a considerable number of miscalculations. To begin with, there is the lack of balance between production plans and material and technical supply and as a consequence, there is inadequate analysis of the five-year plan and the advanced rates of development in instrument building, especially computer hardware, do not coincide with the production of the sectors which deliver the materials and component parts. As a result, a number of enterprises in the sector found themselves in difficult conditions at the beginning of 1987 because of the shortage of components for electronic equipment (microcircuits and transistorized instruments, resistors, condensers, and so forth); the same situation existed with materials—fiber glass, rolled ferrous and nonferrous metals, steel tape, noncorrosive pipe, clock springs, chemical industry products, and so forth.

A similar situation is taking shape in 1988 as well. The phenomenon of "shaking loose" material resources that are missing, which consumes a large part of the time of both plant employees and the ministry staff, has become common.

A significant proportion of material resources are not acquired in complete sets and arrive in the final days of the month, which disrupts the normal production routine. Hence there is shock work and lower product quality. This is especially critical under state acceptance conditions and leads to disruption of deliveries in accordance with contracts and an increase in above-norm stocks.

And all this is taking place in spite of the fact that the planned production growth rates in instrument building in the 12th Five-Year Plan are three times higher than in industry as a whole and more than 1.5 times higher than in the machine building complex.

The fact that the lack of balance will increase in the coming years when different rates of production growth in related sectors have been incorporated in the plan is a source of serious concern. This problem, obviously, should be resolved by the USSR Gosplan and the USSR Gosnab with the participation of the ministries concerned. Otherwise dozens of association and enterprise labor collectives will not fulfill plans and they will incur appreciable economic losses and be affected by loss of morale.

A tense situation has developed in the sector in connection with the profit plan, which has not been fulfilled for the first time in more than 20 years. What happened? The analysis that was conducted revealed two basic reasons for this failure: nonfulfillment of the targets to reduce production cost and the increased fines for non-delivery of products in accordance with contracts. Thus, the target for reducing production cost was set for the ministry in the 12th Five-Year Plan without sufficient economic grounds at 15 percent (it was 7.8 percent in the

11th Five-Year Plan). Neither the additional expenses related to practical realization of the objective set for the ministry of reaching the world technical level for 95 to 100 percent of its most important output nor the expenses resulting from updating this output by 70 percent, nor the introduction of state acceptance at 123 plants were taken into account, which led to an average increase of 6.7 percent in the labor-intensiveness of products.

In attempting to save the situation, the ministry changed the specific assignment of assets from the centralized fund for developing production, science and technology and allocated more than 60 million rubles in addition to put new products into production. But this did not help, either. Production cost was actually reduced by 1.8 percent in 1987 when the target called for 2.9 percent; the plan for profit was underfulfilled by 70 million rubles, or by 4.2 percent, and the plan for all types of activity was underfulfilled by 47 million rubles (2.1 percent). According to the ministry's calculations, the profit plan for 1987-1990 was overestimated by 4 to 4.5 percent. The sector's plants may receive several hundred million rubles less than they should have during this period, which will put them in an extremely difficult financial position.

As far as the fines that have been paid are concerned, they were more than doubled, chiefly in connection with nonfulfillment of product deliveries in accordance with contracts, which was basically the result of the shortage of materials and component parts. Naturally, this has had an adverse effect on fulfillment of the profit plan.

The unjustified conservatism in evaluating the fulfillment of plans needs to be overcome. In spite of all the official documents and party decisions and the Law on the State Enterprise, the volume of commodity production continues to be the principal evaluative indicator for the work of ministries. It would appear that fulfillment of a plan in accordance with this calculated indicator is being strictly monitored at all levels of economic management and by local party organs. Such a practice not only runs counter to directive documents, but inflicts enormous harm on the national economy, provides impetus for fulfillment of gross indicators at any price, leads to the predominance of methods of economic operation which involve expenditures and an unjustified increase in above-norm stocks of finished output, and has an adverse effect on the fulfillment of deliveries in accordance with contracts and on the profit of enterprises.

Speaking at a meeting with Leningrad workers, M. S. Gorbachev noted: "We know of many cases where party committees locally still continue demands that enterprises assign primary importance to 'shaking out' the percentages of increase in commodity production volume, that is, they are essentially adherents of the old 'gross' approach. And here we have volumes, but the time periods for deliveries in accordance with contracts

have been stripped away and low-quality products have gone to the national economy and the shops. All this because the volume indicators which are reached at any price are always accompanied by disruption in the fulfillment of delivery contracts, and this brings confusion to the entire economy and has an effect on product quality first of all." (Footnote 1) (PRAVDA, 14 Oct 1987)

Under the conditions of restructuring the economic mechanism and the shift to full cost accounting and self-financing, the work of any enterprise, association, or sectorial ministry should be evaluated on the basis of three major indicators: **fulfillment of deliveries in accordance with contracts**, which describes the provision of specific products for the national economy; **profit**, which is the generalized indicator of production efficiency; and the **technical level of products**. The efforts of enterprises, associations and ministries should be concentrated precisely on this today.

Under the conditions of self-financing, nonfulfillment of the profit plan has a lesser effect than previously on the development of a shortage in an enterprise's own working capital, inasmuch as all financial resources of enterprises have been concentrated in three economic incentive funds. They incur sizable losses for precisely this reason. Thus, with respect to nonfulfillment of the profit plan, associations and enterprises in the sector, according to a preliminary assessment, have put about 50 million rubles less than they should have into the economic stimulation funds, including 32 million rubles in the fund for developing production, science and technology, 7 million in the social development fund, and 10 million rubles in the economic incentive fund. In addition, assets for the bonus fund have been reduced by another 28 million rubles in connection with the nonfulfillment of product deliveries in accordance with contracts. At the same time, certain enterprises, where the percentage of nonfulfillment of the plan for profit and deliveries in accordance with contracts is low, have been deprived of the economic incentive fund completely.

Reduction of the economic stimulation funds at individual plants jeopardizes fulfillment of the technical re-equipment and social development plans, and a decline in the level of material incentive may lead to loss of some of the skilled personnel.

Many Minpribor enterprises experienced difficult conditions in 1987 because of the detrimental effect of internal factors. However, this is not the only reason. Far from all the collectives of associations and enterprises are maintaining the necessary pace of restructuring. Many of them are at fault for poor production organization and unfinished design work in developing new equipment, they permit defective output and deviation from standards, make use of equipment and materials inefficiently, and have not yet learned to count money properly.

The large number of economic sanctions (fines, penalties, additional payments to the budget) also have to be taken into account. In developing a system of sanctions, the central economic organs obviously have proceeded from the assumption that all parts of the economic mechanism should operate in a coordinated manner, and it is therefore correct to apply sanctions for any deviations from normal economic activity. Experience shows that an enterprise's financial situation deteriorates when sanctions are applied without justification.

In spite of incomplete fulfillment of the profit plan, the sector's financial situation may be considered satisfactory. The ministry as a whole completed the year without a shortage in its own working capital, but the number of enterprises where it exceeded 200,000 rubles declined from 76 to 15 compared with the previous year. Enterprises have practically no debts for the credits of previous years, and the total amount of overdue debts for short-term bank loans and to suppliers has been reduced to one-sixth as much, adding up to just 0.13 percent of the volume of output sold in 1987.

At the same time, the financial situation became worse at roughly 10 to 15 percent of the associations and enterprises which did not cope with the targets for production volume, reduction of production cost, and profit and did not complete deliveries under contracts for large sums. This is a source of serious concern and is the subject of special attention by the ministry. First of all, specialists from the central staff are being sent to these enterprises in order to thoroughly examine the state of affairs on the spot and to assist labor collectives to eliminate bottlenecks and to outline practical ways to improve their financial situation.

Many economic managers believe that it is enough to provide an enterprise with temporary financial assistance from the ministry in such situations or to "add" supplementary working capital—and everything will fall into place. However, such measures provide only temporary respite, inasmuch as the problem of financial normalization is much broader in scope. Rather than the consequence, we must eliminate the causes which undermine an enterprise's economy and create financial difficulties. This is especially important now, under the conditions of self-financing, when a labor collective itself has the obligation, in accordance with the Law on the State Enterprise, to earn and compensate for the assets that have been lost. Indeed, the ministry's ability to provide non-repayable financial assistance under the new conditions is limited as well.

This is why the program for economic normalization of enterprises that are not operating in a stable condition should encompass practically all aspects of their activity (from the development of new products to the delivery to consumers) and provide for the best possible production organization and ways of reducing production cost and increasing profit on this basis. It has to be aimed first of

all at introducing progressive technologies, development of the social area and personnel assignment, recovery of working capital that has been lost and liquidation of enterprises' debts.

Today enterprises have been given broad rights in selling surplus stocks of raw material, materials and equipment. But for this they must conduct a continuous inventory of stocks and outline specific measures for the use or sale of physical assets, to restore the monetary assets that have been withdrawn in their accounts, and to strengthen the enterprises' solvency.

It is very important to actually motivate workers to economize materials, which will provide a stable increase in profit for each product and will make it possible to turn out additional products from the materials that have been saved. The point is that with the introduction of state acceptance and the establishment of control over the acceptance of component parts and additional tests of finished products at proving areas, the length of the production cycle has been increased and the requirement for working capital in incompletely production has been increased accordingly. According to preliminary estimates, this amounts to a total of 90 million rubles for the sector as a whole. In order not to change the economic norms for profit distribution, the problem could have been resolved with the aid of long-term bank credit for an increase in the norm for working capital (as it was done for many sectors in 1981). At the same time, the maximum level of stocks will be increased for this sum and the norms by which institutions of the USSR Promstroybank [presumably: Bank for Financing Industrial Construction] are guided in granting credit are defined more precisely.

Many associations and enterprises are submitting suggestions to change the existing procedure for extending credit. Experience demonstrates that the newly introduced form of extending credit in accordance with the aggregate of material stocks and production expenditures has a number of drawbacks (the inadequacy of methods and the lack of validity of the initial basis for determining the norms for the maximum level of stocks). Under the conditions of self-financing, enterprises have been deprived of the opportunity to take advantage of special-purpose credits, inasmuch as normative restrictions are introduced automatically without taking the actual need for credits into account. Such a procedure for extending credit does not contribute to the development of economic methods of management and complicates the work of enterprises under the new conditions. It seems to us that enterprises should be extended credit, regardless of the norm for the maximum level of stocks, for the following purposes: deliveries of materials and component parts ahead of schedule; deliveries in accordance with norms for transit and import on a scale which exceeds the requirement; prospective expenditures; and accounts with suppliers (payment credit).

The practice of applying economic sanctions needs to be put in order (the resolution of this is being delayed without justification). First of all, it is necessary to more precisely define the procedure for applying sanctions for tardiness in introducing fixed production capital and capacities, where sanctions are applied without regard for a contract agreement violation. It would be fair to apply them only for the party to the contract (the contractor or the client) who is at fault for disruption of the time periods for commissioning a project.

Self-financing requires a higher level of management by enterprises and economic operation that is well-thought-out and responsible. Unfortunately, not all economic managers have realized yet that self-financing in its economic essence is a system that does not permit dependence on others and obligates one to live on assets that have been earned. At the same time, it places high demands on the quality of the plan, the balance, and the provision of resources, and it reacts sharply to any miscalculations at any level of management and economic operation.

The success of the radical reform in the economy lies in the completeness of its implementation, when all parts of the economic mechanism begin operating in the new system.

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Directors, Managers Discuss Problems With State Orders

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[Article by T. Filippov, chief of the Economic Main Administration of the USSR Ministry of Heavy and Transport Machine Building; A. Chuplinskas, general manager of the "Sigma" State Production Association; N. Yarovenko, chief of the Production Planning Department of the Moscow Silk Combine imeni P. P. Shcherbakov; and V. Smirnov, chief of a sector of the NIEI [Economics Scientific Research Institute] attached to the USSR Gosplan, under the rubric "The Theories and Methods of Planning": "The State Order: Problems of Organization and Implementation"; first paragraph is editorial introduction]

[Text] The shift by most of industry to operation under the new conditions of economic operation since 1 January 1988 has increased the attention devoted by economists and practical workers to the problems of organizing the state order for enterprises. Experience in drafting the national economic plan for 1988 has shown that not all the problems related to apportionment of state orders were resolved successfully when it was worked out. This applies in particular to their size in the enterprises' plan,

material support, and the norms for distribution of the profit received. The editorial staff has asked a number of specialists to express their opinion on these matters. The responses received are published below.

T. Filippov: Enterprises' experience in operating under the conditions of cost accounting and self-financing has revealed new problems, one of which is related to the state order. The place of the state order in the structure of relationships among production collectives and economic and planning organs is clearly defined in the Law on the State Enterprise. However, experience in its organization and functioning raises and accentuates questions which cannot be disregarded.

It is common knowledge that the basic functional assignment of the state order is to carry out the role of guarantor to ensure that state interests are observed. Let us look at how enterprises of the USSR Mintyazhmash [Ministry of Heavy and Transport Machine Building] are managing to implement this function.

Inclusion of the state order in the plan for enterprises is compulsory. This requirement emphasizes the preeminence of state interests over collective interests. Experience in accommodating the state order has revealed ambiguity in enterprise managers' approach to this. The majority of them include most of the range of products in it, seeing this as a definite guarantee that they will be more reliably provided with material and technical resources from centralized sources, and evidently not without justification. Others follow the path of reducing the state order, arguing that it is necessary to release capacities and the production workload for deliveries to more profitable customers which have been identified as the result of an independent search for them in the domestic and foreign market.

The fact that enterprises' experience in organizing the second part of the plan, that is, the part unrelated to the state order, runs up against the "positive neutrality" position of the USSR Gossnab organs is disturbing. They do not make an active effort to provide material and technical support for this part of the plans and refer enterprises to direct contacts and wholesale trade. But because of the latter's lack of development and the scarcity of many types of resources, enterprises cannot balance the production plan without going to the state order. They encounter tremendous difficulties in resolving the problems of material and technical support.

It seems to us that until a system of direct contacts is organized and wholesale trade is built up reliably with capital goods, organs of the USSR Gossnab are responsible for providing the material and technical resources for enterprises' production plans to the full extent. And the basis for partnership relations between enterprises and the supply organs is full cost accounting.

In organizing the plan for 1988, a great deal of work was carried out by the USSR Gosplan and sectorial ministries to select the range of products included in the state order and to give it priority, at least in the material and technical support section. At the same time, many of the officially declared features of a state order have proved to be unrealized.

In all the documents on restructuring the economy, a state order has been defined as an order by state organizations for specific products of appropriate quantity and quality. In reality it has been devoted to the production of consolidated groups (turbines—in thousands of kilowatts, large boilers—in tons of steam per hour, metallurgical equipment—in tons, and so forth). Although ministries have broken up these groups into smaller units, the result has still not been an order for a specific item, but a target for the production of a certain aggregated volume of output.

It is sound practice to issue a state order for individual types of equipment which are necessary to commission production capacities and projects in the social area, which are financed by centralized state capital investments, and for individual advanced types of machines and equipment recently put into production or which are of major national economic importance and which conform to the world technical level.

The range of products of a state order for items manufactured in series production (diesels, railroad cars, and so forth) should be consolidated to the maximum extent. It also has to be reduced because of internal ministry consumption and internal consumption by enterprises. A breakdown of the assortment should be made by the supplier enterprise in coordination with the immediate customer or the holder of capital on a cost accounting basis when the contracts for delivery are concluded. A state order for products to be provided individually (large boilers, turbines, atomic reactors, metallurgical equipment, and so forth) should designate a specific product and a specific customer with whom the delivery contract is to be concluded.

At present, the customer bears no economic responsibility to the supplier. This applies both to the organ which issues the state order and the immediate consumer. Economic relationships between the partners—the supplier and the consumer—have been organized very poorly. Full compensation for financial losses caused by violation of the parties' contract commitments is a particularly pressing problem.

We have not managed to provide priority and preferential conditions for the state order because of its "mass coverage" of a broad range of products. In individual cases, it is the least profitable for enterprises compared with a consumer's direct order, since the price for a

product under a state order has been specified exactly, but the consumer is unknown. The concept of a competitive position for the state order has not been realized, either.

The state order is compulsory both for the manufacturer and the consumer. The latter may refuse a product included in it only in coordination with the manufacturer and when compensation is made for financial losses, including profit that was not received. The volume of deliveries under a state order may be reduced by an enterprise if the customer's needs are completely met by improving a product's use value. The partners may make allowance for more precise specification of delivery volume under a state order in reciprocal plans.

Products manufactured in accordance with a state order should be fully provided for by the higher organization which issued it and by centrally allocated material resources. The leading enterprises manufacturing equipment should have the right to issue orders with the stamp "For fulfillment of a state order" for material resources which are not centrally allocated and for components of intermediate production. Subcontracting supplier enterprises are obliged to accept them without question, in much the same way as the procedure that has existed in putting together equipment to be delivered for export. Subcontracting suppliers refer to enterprises with which there have been direct ties for intermediate production over an extended period; those engaged in series manufacture of an item (electric motors, instruments, and materials); and enterprises identified by higher organs as manufacturers of some special product or components.

In order to provide economic incentive for collectives which supply products for a state order, it is sound practice to establish wholesale price surcharges on the order of 10 to 15 percent, including for component items. Products which are manufactured in accordance with contracts should be paid for unconditionally. If the customer does not have the funds for this, the bank in the locality of the supplier pays for it by issuing the latter credit for settlement.

Lately planning organs have been actively reducing the state order in production volume. One would think that its high proportion should not be held back artificially if it reflects the importance of the products of a given enterprise in the system of the national economy. The enterprises which turn out such products should have preference in obtaining credits in the bank for developing production capacities on favorable terms and an increased norm for deductions from profit.

A. Chuplinskas: The state order occupies an important place in enterprises' plans and the plans of sectorial NII's and KB's [scientific research institutes and design bureaus] which are devoted to a specific subject are worked out on the basis of it. At the same time, its status has not been established conclusively and a clearly defined procedure for organizing it and informing those

who implement it is lacking. As a result of the subjective approach and excessive regulation of the state order, the capacities of most machine-building enterprises have turned out to be completely covered by it. So 97 percent of the "Sigma" Association's overall production volume in 1988 is devoted to it. Our association is a complex of specialized enterprises with extensively developed internal cooperatives; their production volumes in overall commodity production reach more than 20 percent of the entire output. Thus, intra-association cooperative deliveries have been included in the state order as well. Consistency is lost in this situation—the plant orders and settles accounts, but the state determines the order itself.

The "Sigma" Association's state order for 1988 differs from the 1987 production plan only by a minor reduction of secondary items in the product range plan. It includes such unspecific items as the production of computer hardware (in millions of rubles) and instruments and only a few targets for specific items. It seems to us that a state order to the ministry should be expressed more specifically before it is passed to the associations. It is also necessary for the state enterprise to be given the right to make the order specific for enterprises.

The state order is linked with cost. However, the cost indicator should be merely estimated and be used to put balanced accounts together in the higher organs of management.

The state order's place in the system of planning indicators for the five-year plan and its relationship to other state assignments should have been specified. When the Minpribor [Ministry of Instrument Making, Automation Equipment, and Control Systems] organized the state orders for 1988, for example, it counted in its items all the government decrees, the assignments of higher organizations, and the indicators approved for the five-year plan which pertain to 1988. About another 40 items, often duplicating the annual state order or other plan indicators, made their appearance. Obviously, the state order also should be expressed specifically to ensure fulfillment of state assignments and be organized precisely on this basis. Duplication, and in certain cases, lack of agreement between the requirements of the state order and other indicators, raises a question for enterprises about what to be guided by.

With as large a share of production as possible covered by the state order, the ministries' effort to guarantee that production is provided with material and technical resources is overlooked. But after all, not one ministry or department is aiming at this. Enterprises are supporting their claims for 90 to 100 percent of their output with the rubric of a state order. All claims are becoming equitable once again. Funds are being allocated in the usual way with the previous shortcomings. Thus, the association has not been provided with funds for eight types of materials for 28 component items to fulfill the state

order for 1988. There has been no improvement in material and technical supply compared with 1987. The situation with respect to components is particularly erratic. Experience has shown that inclusion of a broader range of products in the state order has not produced the reliability expected in the provision of resources.

The state order should be provided with financial resources as well. This rule has not been observed in 1988, either. The Scientific Research Institute of Computer Technology and Information Science of the "Sigma" Association received a state order for NIR and OKR [scientific research and experimental design work] for 8.6 million rubles. The ministry is financing 51.2 percent of the order. The association has been forced to finance the remaining work with its own fund for the development of production, science and technology.

It is highly problematical whether the state order can be put on a competitive basis. At present, it is established for enterprises on a compulsory basis. Most of them are not expressing the desire to receive it. Aside from the reasons cited, the lack of material incentive also plays an important role. In our opinion, the order is essentially an arrangement in which the state orders, but the enterprise performs certain work under mutually advantageous conditions. The latter are becoming particularly important under full cost accounting. The economic benefit in this case is the enterprise's acquisition of additional profit through the state order. The one that is carrying out the order does not have such advantages yet. Benefits have not been provided for those filling state orders in the directive materials on price setting and an extra charge for economic incentive funds. Moreover, certain enterprises have been forced to sell items which have been included as part of the order at discounts from wholesale prices. The state order for the "Sigma" Association in 1988 calls for the production of SM-1600 and SM-1700 computer complexes. This year the first one was recertified to the first quality category, and accordingly the association is losing 6,600 rubles each in the form of a discount on each complex; taking the markup of the wholesale price into account, it is losing 19,900 rubles each. Perhaps the question is: aren't these products needed for the national economy? The users are responding to this question. After learning that the association is cutting back production of the SM-1600 computer complexes in 1988, the USSR Goskomstat [State Committee for Statistics], the Ministry of the River Fleet, the USSR Gosbank and others submitted a proposal that production of them be increased this year and continued even next year. The consumers justified their request by the large expenditures for restructuring the organization of computer operations (republic and oblast computer centers of the statistics organs have been equipped with the SM-1600 complexes, for example), and by their reliability and convenience in operation. What course is the association to follow? Suffer the loss by responding to the request of consumers or shift the burden to their shoulders? At present it is carrying out the state order for SM-1600 computer complexes, although it is being punished by the ruble.

Just what should a state order be? It seems to me that for an association or plant it should be specific, as a rule, in physical terms. The volume of it cannot take up all the capacities available for the production of a given item. Rigid centralized allocation of the most important types of products restricts the development of direct contacts and wholesale trade.

A basic condition for the state order is guaranteed support with material and financial resources. Lack of the necessary support should give cause for its cancellation, with compensation to the producer for financial losses at the expense of the organization which issued the order. It is very important that realization of a state order be guaranteed.

Allocation of fund resources, as well as their materialization for fulfilling the state order, should be given top priority. For example, job authorizations with the stamp "Economic Experiment" were accorded special attention at one time. It is necessary to extend such a procedure to state orders as well.

It is important to motivate enterprises economically to obtain a state order. At the present time it is accompanied by additional responsibility and a limitation of independence, and at times it is materially detrimental to a producer as well. It seems to me that additional responsibility should be compensated by additional economic incentive. Through a price markup or an increased norm for deductions into the economic incentive fund, for example. The fact of profit redistribution itself may become a reason for the customer to narrow down the range of products included in state orders and for the producer to obtain more of them. Competitive assignment of a state order will become possible as a result. If an item is included in it, penalties do not have to be applied.

The state order is an important indicator in the planning system. Well-considered and consistent use of it will play an immense role in resolving the state problems of physical production. It can be a stimulus for extending the independence of enterprises and the development of new forms of exchanging material resources among producers. Economic motivation to obtain a state order on a competitive basis should stimulate the output of highly efficient and high-quality products.

N. Yarovenko: Our enterprise produces a varied assortment of consumer goods: fabrics, artificial fur, and velvet. A significant increase in their production is called for in the 12th Five-Year Plan. Thus, the rate of increase in the production of silk fabrics should be 134.1 percent for the end of the five-year plan and 110.2 percent for finished wool fabrics, compared with 1985. However, these figures, in our view, have not been substantiated economically, they have not been balanced with the manpower and material resources, and they have not been coordinated with the plan for the technical re-equipment of production. Every year the work force in

the combine declines by 4 to 5 percent and the level of skill of newly employed workers (basically those who have just completed a PTU [vocational and technical school]) is very low.

The state order established for the combine in 1988 makes up practically 100 percent of the plan that was adopted in physical terms, that is, it will be quite difficult to fulfill it completely for the reasons cited above. The situation with respect to provision of material resources is especially bad. For example, the plan and the state order for finished wool fabrics was set at 22.29 million square meters for 1988; raw material resources (untreated fabric) have not been provided for 963,000 square meters of this quantity and there are no contracts with trade for its delivery. For this reason, even if we manage to acquire the raw material and produce these fabrics, we do not know whether they will be sold. Obviously, the enterprise will make deliveries in accordance with contracts, but with respect to the state order, it is doubtful with the lack of untreated fabric.

When the state order is put at such a level, it is doubtful whether we can speak about any independence for an enterprise, about developing the creative initiative of engineering and technical employees, artists, or workers. Moreover, under the conditions of full cost accounting and self-financing, most of the output included in the state order is simply unprofitable for the enterprise. Roughly 80 percent of the assortment of this output has been strictly regulated by the ministry. It is not subject to certification, and for this reason, markups for improved quality, the "N" index, and contract prices are not established for it. Essentially, the enterprise has been deprived of the opportunity to diversify the assortment flexibly in the planning stage. The production volumes of one type of fabric or another are set by higher organizations without due regard for the necessity of utilizing production capacities efficiently; as a result, some of the finishing equipment intended for finishing work on a certain type of product often stands idle. All this considerably reduces the opportunities to increase profit.

The financial situation cannot be substantially improved with the remaining 20 percent of the product assortment which the enterprise can designate itself, of course. Meanwhile, the norm for deductions from profit for the budget has been set at 82 percent. It was determined in accordance with the actual level of deductions in previous years, but after all, the enterprise was not operating under the principles of self-financing at that time and had the right to obtain the necessary funds from the ministry.

In our view, the state order should include only the products necessary for industrial processing and industrial consumption, as well as those in short supply. The state order's share of overall production volume should not exceed 50 to 60 percent, so that the enterprise has a

real chance to demonstrate its independence and initiative. Under the conditions of economic methods, production for the state order needs to be the most advantageous (profitable); this will motivate the enterprise to include it in the plan and guarantee its complete fulfillment with high quality. Enterprises should "fight" for the right to receive a state order, and this means that they will guarantee high quality in fulfilling it. This in turn will not only provide stimulus, but will compel them to continuously increase the technical level of production and improve technology. The profitability of products included in the state order may be increased by revising prices and the net production norms or by establishing a favorable percentage for deducting profit for the state budget.

As far as who should determine the state order—the Gosplan or the ministry—is concerned, this is of no importance to the enterprise, obviously. What is important is that the state order be really justified and provide relative freedom of action for the enterprise. If only the output for industrial processing and industrial consumption are included in it, the volume and assortment of products evidently can be determined most accurately at the Gosplan level.

V. Smirnov: Success in restructuring management depends on many factors. The most important one is a well-grounded approach to the state order. Experience in organizing it and bringing it to an enterprise for drafting the 1988 plans has demonstrated that such an approach has not been found yet.

Cases where the state order covers up to 100 percent of output, the outward appearance of relaxed pressure on an enterprise is created by enlarging the product range, and the directive nature of overall production volume indicators (in control figures) is promoted through a state order are widely known. The problems of resource provision have not been resolved, and tendencies to weaken the consumer's positions even further are apparent, among other things.

To a certain extent, the shortcomings noted result from the transitional nature of the current stage, of course. But explaining them by this alone would be an oversimplification.

Traditional centralized planning of production in physical terms was based on the concept of "the most important product range." The state order should have replaced it in the new mechanism. It is clear that these concepts do not coincide. But they have coincided in practice, essentially. A routine "change of mask" has taken place.

Passing the state order down by the traditional vertical line from the manufacturer runs counter to the definition of its content (as a guarantee to meet requirements).

Throughout the entire chain of organization and transmittal there is no consumer. They are making the decision without him and for him once more.

Finally, the consolidated product range calculations are always approximate. Turning them into directions only creates the outward appearance of reinforced centralization, but the plan actually loses flexibility. Orientation toward the (physical) "gross," accounting, and window dressing is intensified. We are going backward, not forward, in fact. Backward even from the conditions of the wide-scale experiment which repudiated the product range in favor of evaluation for fulfillment of contract commitments. So approaching the state order as a consolidated product range for deliveries, brought by directive in a vertical line from the manufacturer, has no prospects, in our view.

The key to understanding the state order lies in the fact that it should initiate with the customer. Opportunities exist for this. Today the requirement for delivery is directed twice: a product range for the manufacturer and a limit for the consumer. Such duplication is hardly justified. It only intensifies the manufacturer's preeminence over the consumer. If the state order is organized by the customer, the manufacturer will have no directive basis to shape a production plan other than the specific state order coming from the customer. This is especially important when the Law on the [State] Enterprise is in force and when production collectives have acquired the right to draft and adopt their plans independently.

Centralized administration of the state order in the first stage should involve the establishment of limits for the most important types of items, determination and approval of the customers which have priority and the time periods within which they receive the right to determine the order themselves through announcement of a competition, as well as organization of the state order directly for the most important specific output, which the center is in a position to do competently (within the framework of its existing budget allocations for specific objectives). Basically the final consumers are the ones which may have priority: defense sectors; the state's foreign economic organs; the major centralized construction projects; and education, public health, and cultural organs, and so forth. The output distributed centrally includes: products of the base sectors, production which limits the development of the national economy, the most important consumer goods and services, and commodities for individual groups of the population (children, the elderly, and workers in the low-pay categories). Within the framework of the limit, the consumers themselves organize the specific state order which is obligatory for inclusion in the manufacturer's plan. The contract concluded subsequently makes it specific and establishes the periods of time and other conditions for delivery more precisely.

With a shift to primarily economic methods of management and an increase in the effectiveness of the new economic mechanism, the composition and volume of

the state order should be reduced and a larger and larger proportion of output should be planned independently by enterprises on the basis of direct economic contacts with customers and the results of wholesale trade fairs for consumer goods. The state order should be transformed more and more into a purely economic tool, into the most profitable order with a stable market, with a guarantee of timely payment and tax and credit privileges, and it should be issued primarily on a competitive basis. At the same time, enterprises will compete for the right to fulfill it, offering short production periods or the introduction of capacities, or high economic efficiency, reflected in the profit (income) received.

As applied to the first stage, that is, in the remaining years of the current five-year plan, the following procedure and time periods may be established for organizing a state order. The customer ministries submit proposals to the USSR Gosplan for the state order and the list of priority customers (in the section put together by the USSR Gosplan) by no later than 1 June of the year preceding the year being planned. A state order put together by the USSR Gosplan on the basis of customers' proposals is passed to the manufacturing enterprises directly or through organs of the USSR Gosnab before August of the preceding year. A state order at the ministry level is passed to the manufacturing enterprises by enterprises and customer ministries between 1 August and 1 September of the previous year. When a state order is organized by taking the USSR Gosnab's territorial organs into account, customers' offers for the order should reach these organs no later than 1 July of the previous year. A state order from territorial (republic and local) organs which are consumers is passed to manufacturing enterprises from 1 September to 1 October of the preceding year. Economic contracts are concluded after 1 October of the year preceding the year being planned.

Provision of resources for the state order should be guaranteed by the state: in the section for resources allocated centrally, by limits, and for the rest of the resources, by rights which are supplemental with respect to a direct contract when the contract for delivery is concluded with the immediate manufacturers or territorial organs of the USSR Gosnab. Economic agreements to provide resources for a state contract are obligatory for the manufacturer both for products allocated centrally and well as output which is not distributed.

When it is impossible to provide material and technical resources produced in the country for a state order, the organs which issued it (granted the right to issue it) are obligated to try to obtain the missing resources by importing them or by removing the state order in the section not provided with them. Manufacturing enterprises should not bear responsibility for nonfulfillment of a state order in a section not provided with resources within a period beyond which the state order cannot be realized.

In the approach suggested, the actual parties to a contract take part in the relationships with respect to a state order, not juridical persons with vertical (administrative) subordination. This makes it possible to establish the sides' mutual economic responsibility within the framework of the economic contracts that have been

concluded when a state order is put together, in conformity with the Law on the [State] Enterprise.

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AGRO-ECONOMICS, POLICY, ORGANIZATION

New Regulations for Collective Gardening Discussed

Acceptance into Gardening Partnerships
18240081 Moscow SELSKAYA ZHIZN in Russian
3 May 88 p 4

[Article by V. Osetrov, Deputy Director of the Veterinary Glavk [Main Administration] of USSR Gosagro-prom [State Agro-Industrial Association]: "Acceptance into Gardening Partnerships"]

[Text] I have read that a new regulation has been passed concerning the gardening partnership. Previously partnerships often accepted "needed" people while the workers of their enterprise remain without a garden. Who can now be a member of a gardening partnership? In particular, can village residents who do not have their own gardens be accepted into them? [Signed] N. Samsonov, Voronezh Oblast.

According to the new regulations on the gardening partnership its membership can consist of workers of enterprises, institutions and organizations (in the future referred to as "enterprises") which have organized gardening partnerships (kolkhoz farmers, sovkhoz workers and workers of other agricultural enterprises are accepted in partnerships if they live in high-rise apartment buildings) and of retired persons from among the people who previously worked at the enterprise.

Thus, the village workers of kolkhozes and sovkhozes can now be members of gardening partnerships if they do not have private plots and if they live in high-rise apartment buildings.

You are correct, Comrade Samsonov, that in practice it often happened that administrative workers of various rayon organizations and the directors of stores, supply organizations and other "needed" people were accepted as members of partnerships created by city enterprises. This, of course, is a violation. This is especially true since the last regulation, passed in 1985, indicated that a partnership "could accept only the workers of the enterprise, institution or organization," i.e. of the enterprise which created the partnership. This regulation is in effect now too. However, the law (and not the discretion of individual responsible parties) has established individual exceptions, which are objective and justified, over the aforementioned general rule.

This is why the new regulations foresee that other citizens can be accepted as members of gardening partnerships in cases that are stipulated by the Law of the USSR and RSFSR (and supplemented) and by the "real Model Regulations."

As before, conscientious workers and employees, veterans of labor, invalids and participants in the Great Fatherland War, individuals equal to them in benefits according to the established system, and families with two or more children have the priority right to join partnerships. The aforementioned list of "recipients of bonuses" is supplemented by "workers involved in work with a multi-shift regimen."

The preemptive right of one of the heirs of a deceased gardener to join a partnership has also been retained. Sometimes it has become necessary to "create a garden plot" for one of the family members of an elderly gardener during his lifetime (or for other valid reasons). This problem, as we know, was dealt with in the previous regulations, but not fully. For example, if the son of a gardener married and lived separate from his family, even though he continued to work on the plot he was no longer considered a member of the family of the "original" gardener. This is why he could not be accepted as a member of the partnership despite his father's request. The new regulations have equated such "former members" of the family with the family members of the gardener.

Workers, employees, kolkhoz farmers and other citizens who are included in a list of individuals who may join a partnership organized in their enterprise, a list confirmed by the administration and the trade union committee, are considered to be its members from the day of registration of the partnership.

New Partnership Regulations
18240081 Moscow TRUD in Russian 7 May 88 p 1

[Article by G. Rumyantsev, sector director of the Housing-Consumer Department of VTsSPS [AUCCTU, All-Union Central Trade Union Council]: "New Regulations for Gardeners"]

[Text] The RSFSR Council of Ministers has passed new Model Regulations on the Gardening Partnership. How are they different from the previous regulations? This is discussed by G. Rumyantsev, sector director of the Housing-Consumer Department of AUCCTU.

The innovations in the regulations are directed basically at expanding the rights of the gardening collective, its administration and every gardener.

Article 8 foresees the right of the gardening partnership and some of its individual members to conclude contracts with kolkhozes, sovkhozes and consumer cooperative organizations for the production and sale of agricultural products, i.e. to legally expand their economic independence.

Of undoubtedly interest to gardeners are the norms in article 11 of the regulations which regulate their right to erect on the garden premises heated cottages having an area of 50 square meters not including the area of the

terrace (verandah) or attic or of household structures (free standing or connected) for the maintenance of domestic fowl and rabbits, for storing tools and for other needs. Limitations have been removed on the area of hothouses and other structures erected for the purpose of cultivating agricultural crops. A basement below the cottage or shed is allowed. The building of cottages and other structures is carried out according to model or individual designs in accordance with the general design for the organization and building up of the territory of the collective garden.

The circle of individuals who may join a partnership in place of an individual who is leaving for health or other reasons has been expanded. Now this right is given to a former member of the family of a gardener if he jointly utilized the garden plot and participated in creating it.

The members of gardening partnerships have been given the right (upon the agreement of the rayon or city executive committee in the territory where the collective garden is located) to refuse a portion of the plot up to the minimal amount (0.04 hectares) established by the regulations. Or they may divide their garden plot by no fewer than eight hundredths for a member of the family (including a former member) who utilized this plot together with the member. It must be said that an analysis of articles 13 and 17 of the new regulations allow us to draw the following conclusion: In the transfer (transfer of a portion) of the plot to a current or former member of the family of the gardener, occupying the same residence with the gardener (having the same address) is of no legal significance.

I think that many gardeners will react favorably concerning the right now being given to a member of the partnership to exchange a garden plot for another located in a different gardening partnership with the goal of having the plot be closer to his place of residence or for other valid reasons. Decisions about such an exchange are made jointly by the trade union committee and the administration of the enterprise (or by the executive committee of the local council of people's deputies, if the partnership is under its jurisdiction) with a consideration of the recommendations of the administrations of both partnerships.

The list of reasons for exclusion from membership in gardening partnerships remains as before, but article 21 of the regulations has been supplemented with the rule that it is possible to exclude someone from membership because of the erection of a cottage in violation of the established order or of building norms, because of the unauthorized seizure of land, because of the systematic non-fulfillment of measures to preserve the environment and of not adhering to agrotechnical regulations, because of the refusal to participate in general gardening work of the partnership or because of the systematic violation of internal rules as long as measures of public influence

have already been taken against the partnership's member for the aforementioned violations in a general meeting or by the administration.

The new regulations do not foresee the possibility of a legal examination of disputes between divorced parties concerning the right to utilize land plots, as was previously the case. This means that now the right to membership in a gardening partnership cannot be disputed during the dissolution of a marriage.

There has been a change in the order for determining the norms for introducing new members on the part of authorized persons. In the past regulations stated that each such individual could not introduce over three partnership members at a meeting. Now this limitation has been eliminated. The norms for electing members are to be established by the partnership's management with the assent of the administration and trade union committee of the enterprise, organization or rayon or city executive committee if the partnership is under its administration.

In conclusion it must be stated that the RSFSR Council of Ministers has obligated the gosagroproms [all-union agro-industrial association] of the RSFSR and of the republic's Non-Chernozem Zone, the RSFSR Minzhilkomkhoz [Ministry of Communal Housing], the councils of ministers of autonomous republics, oblast or kray executive committees and the Moscow and Leningrad city executive committees to achieve control over adherence to the regulations and requirements presented in the Model Regulations on the Gardening Partnership.

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Commentary on New Law on Cooperation in Agriculture

Tikhonov Interview

18240079 Moscow *TRUD* in Russian 1 May 88 p 3

[Article by correspondent Yu. Popov interviewing V. A. Tikhonov, VASKhNIL [All-Union Academy of Agricultural Sciences imeni V. I. Lenin] academician: "Reality or Slogans?—Cooperation: Paths of Development"]

[Text] The Soviet people are extremely interested in the draft of the Law on Cooperation in the USSR, and in the first steps of the cooperatives that are springing up in different spheres of activity, which were the topic under discussion at a recent meeting in the CPSU Central Committee. Among the letters to the editor there are those that approve of the future law and makes proposals on improving the draft and there are also those in which the authors doubt the social usefulness of cooperatives or feel that this is completely contradictory to our social foundation. Newspaper correspondent Yu. Popov met

with V. A. Tikhonov, VASKhNIL academician, and asked him to respond to a number of questions raised by TRUD readers in connection with the assessment of the projected law.

[Question] Vladimir Aleksandrovich, it is of course a coincidence but the first letters put into the "Discussion" file, written by resident Bender and by economist-veteran A. Yakimov, contained a decisive proposal—to remove the word "socialist" from the draft with regard to the concept of "cooperative" because, according to them, the nature of the cooperative is capitalistic...

[Answer] This is not such a rare misunderstanding. In actual fact, even though cooperative enterprises and their unions existed in pre-revolutionary Russia, and large cooperatives such as Kooples [Timber cooperative], Koopmaslo [Butter and oil cooperative] and Kooplen [Flax cooperative] actually operated on the foreign market, we cannot consider this type of association form for labor, economic and trade operations as inherent in only one kind of social structure. After October, under conditions of military communism these associations were retained to a certain degree, and a cooperative movement began in our country with the introduction of the New Economic Policy.

V. I. Lenin attributed fundamental significance to this "new principle of organizing the population." "The structure of civilized cooperatives," he emphasized, "with public property for the means of production, with the class victory of the proletariat over the bourgeoisie—this is the socialist structure."

Unfortunately, since the late 1920's the cooperative movement has practically lost this Leninist concept. But today it is again reacquiring its true substance. The proposed draft of the law has created a system of precise norms and rules allowing us to develop cooperative operations in practice and not in slogans. Let us focus our attention of the following: The attitude toward cooperatives here is expressed both in the production and the social nuclei of our society. Citizens who work in the labor collective of a cooperative by contract are recognized as members of the cooperative, with all the rights arising from this. The labor of cooperatives is equated to the labor of workers in state enterprises in terms of social significance.

[Question] But here Kiev resident L. Yermolayenko writes: "I am convinced that every cooperative is concerned not about the good of the state but about its own pocket"...

[Answer] I can understand her. Very often we have idealized Soviet man without foundation. Again in slogans we assumed that his spiritual needs were so great that they would prevail over material needs. But after all every person, adapting to economic conditions, tries to

satisfy fully his tangible needs, ranging from food products to a roof over his head. The state economy, with all of its technical and organizational power, will never be able to be flexible enough, maneuverable enough, to constantly change its structure and production volume, adapting to the different and changing needs not only of society but of every individual too. Here cooperation will meet people halfway.

The projected law opens up extensive possibilities for initiative. For the sake of this it contains a number of very important principles. First and foremost we have the principle of the most extensive permissibility: "It is permitted to be involved in anything that is not prohibited by law." The rejection of the need to list everything that is permissible in a document such as this represents a great turn-around in our thinking.

Another important principle is the recognition of the extensive independence of cooperatives. Before the law they are now the same types of producers of goods as state enterprises. The cooperative itself determines the type of operation, plans production, selects a supplier of resources and a consumer for his product. It builds its relationship with the latter on the basis of contracts, the only legal document.

Readers will want to ask: What kind of contract can there be with a buyer at the market? Here everything is regulated not by a written piece of paper but by daily demand, with a consideration of which a kind of unspoken agreement will arise. And the greater the precision with which the cooperative intuits the interests of the consumer, the more effective it will be. Operating on the basis of economic intuition, taking risks—it is for these purposes that independence is given.

The recognition of independence is secured in the draft with legal and property guarantees. No one has the right to interfere in the economic operations of cooperatives. I would like to emphasize in particular that this refers to kolkhozes as well. The material losses that are borne by the cooperative as a result of the interference of any kind of organization or responsible individual must be reimbursed by the institution that tolerated this interference. If a RAPO [Rayon agro-industrial association] director or specialist orders that grain be harvested prematurely RAPO centralized funds will be used to settle accounts with the enterprise.

And I would like to focus attention on another thing. The draft of the law proclaims that any principles for the structuring or the operations of the cooperative are primary operating norms. In other words, instructions will not be necessary to implement the cooperative's resolutions.

[Question] But after all the operations of cooperatives occur within the sphere of interest of many ministries. Some of them, as a resident of Magadan, M. Yeliseyeva, writes, have lost their authority. Can we expect from this

side attempts to limit the independence of the new competitors? Are there any guarantees that the essence of the law will not be "dragged" through branch and hierarchical levels?

[Answer] Yes, there are. Guarantees against illegal encroachments include the possibility of turning to the court or to arbitration.

In assessing the draft of the law on the whole, we can say that it will achieve an actual serious break-through in the bureaucratic system of management of the national economy which has developed in the course of many decades. The use of cooperative beginnings will provide a fresh and powerful impulse for the democratization of economic and social development of our society and will put into action the social forces that have been impeded until now. In the course of the assessment the following question has been raised: Should we return to the Law on the State Enterprise (Association), enriching it by using some principle aspects of the Law on Cooperation?

[Question] It is true that the law introduces many new, even incomprehensible concepts. Some people are disturbed by words such as "competition," "stock" and "lease" ... R. Khasiyev of Krasnoyarsk and N. Gordeyev of Bakhchisaray fear that this is the direct path to non-labor income. How justified are their concerns?

[Answer] I feel that the time has come for all of us to look more rationally at the content in general and at individual elements of the economic system. Some of them were developed by mankind in the course of dozens of centuries of its existence. That same competitiveness—from time immemorial it has been a necessary part of commodity production, and having moved with us into the epoch of socialism it can quite successfully serve the worker. All of this is a historically-worked out selection of economic instruments.

Land leasing, for example, was utilized during the NEP period and did not permit us to magnify the yield of agricultural products. And what do we often see today? Lands that were fertile at one time are being overgrown with shrubs or turned into swamps. Yet this is a national property! And now the projected law gives kolkhozes and even sovkhozes the right to lease a particular parcel of land to a family link or to a newly-formed cooperative if the enterprise does not have enough manpower to cultivate the entire area. Work, and you will have income from the land...

[Question] This raises a question in the minds of some people concerning excessive enrichment. Leningrad resident I. Gerasimov protested after the publication of an article entitled, "Spare the Manager" in TRUD on 15 March. Let us remind you of the situation. In the Kuban in Starominskaya stanitsa [large Cossack village] the two Somko brothers started fattening 120 young bulls and managed their affairs in a very business-like manner. But when the people in the buro of the local kolkhoz saw in

summarizing their accounts that the income of the brothers could exceed more than 10,000 rubles, they immediately changed the conditions of the agreement.

[Answer] Envy, inertia and laziness are still characteristics of man. In order to protect conscientious and enterprising workers from attempts to return them to their previous egalitarianism, the draft of the Law on Cooperation foresees both economic and legal measures—the outer limit for income has been removed. The right of voluntarily joining or leaving a cooperative and of creating new labor partnership has been confirmed. If any buro attempts to assign a particular income to people it risks being left without diligent workers, on whom the well-being of the managers depends. The Transbaykal region has seen the development of agricultural cooperatives that wholly support management with their income. Incidentally, people there became convinced immediately that both in the field and in the office it is possible to do with less.

As for non-labor income... Right now cooperation has encompassed mainly the spheres of public nutrition and consumer services, where a public product is not produced but circulated, and because of the shortage there is a great deal of room for competitive temptations. But gradually production cooperation is also being developed; then one will not get by simply on resourcefulness—it will have to be combined with labor.

This kind of consolidation immediately accelerates things. Here is a fact from your newspaper—the small Entuziast House-Building Cooperative built an entire street during the past summer season in the Maritime region. And the output per person here was almost double that of colleagues from the road section of the building administration.

And the more such cooperatives we have, not in form of course but in their cost accounting essence, the more favorable market competition will be for the consumer. We must facilitate the expansion of the cooperative movement, the creation of conditions for economic competition among the cooperatives, competition for the consumer. Under these kinds of circumstances cooperative prices that disturb all of us now will become reasonable.

[Question] But many readers continue to put their trust in state regulation of market prices. Minsk resident L. Kozlov sees the contradictions in the principle proclaimed in the law's draft according to which "the cooperative should not tolerate an economically-unjustified elevation of prices" and the possibilities of the consumers and the public to control adherence to this principle...

[Answer] The question is indeed not a simple one. Of course, the state can utilize control functions in the area of cooperative prices. First and foremost this applies to goods that cooperatives sell through the state order

system. Evidently, there will be controls over items that cooperatives produce using raw materials purchased in the state retail network according to a fixed price list. Financial organs will be called upon to watch for speculation tendencies. Their functions are also determined by the projected law. They are being entrusted with the levying of taxes as an economic regulation factor.

Moreover, the tax will be levied not only according to the results of the operations of the cooperative in general but according to the income of each cooperative member individually. This measure is called upon to stimulate concern about increasing not only personal income but also about expanding production and about increasing the profits of the entire enterprise. Taxes for personal income will be levied according to a progressive scale—this must become an instrument for implementing the principle of social justice.

It is very important in this matter to maintain a balance in order to, on the one hand, avoid eliminating the interest and initiative of cooperative members and on the other—to avoid bringing losses to the interests of society as a whole and to each citizen individually. After all, the state is entrusting cooperatives with the free and independent use of the means of production. All of this cannot become the source of unharnessed enrichment. On the contrary, in following this path all of us are interested in multiplying public riches even more, and this means also the share that each is entitled to according to his labor.

Further Tikhonov Clarification
18240079 Tashkent SELSKAYA PRAVDA in Russian
1 May 88 p 3

[Commentary by V. Tikhonov, VASKhNIL academician: "Free Labor by Freely Gathered People"]

[Text] Immediately after the publication of the draft of the law, "On Cooperation in the USSR," the telegraph bureau of the USSR distributed the commentary of VASKhNIL academician V. Tikhonov. This elucidation of the basic resolutions of the document appeared on the pages of many republic and oblast newspapers and it was published on 13 March in SOTSIALISTICHESKAYA INDUSTRIYA. The publication aroused great interest among readers. Especially many questions arose in connection with the passage of the law (if it is passed, naturally) under conditions of kolkhoz production. A TASS correspondent asked academician V. Tikhonov to analyze these letters. Here is the scientist's commentary:

Yes, the draft of the Law on Cooperation has several special features. It has a general portion which has formulated all of the basic norms which regulate the activities of the cooperative in general, regardless of its type. These uniform norms are obligatory for all types of cooperatives. Thus in the organization and regulation of their operations cooperatives can act according to these

norms once the law is passed. Correspondingly, state management organs will be obligated to deal with cooperatives only in accordance with these general norms.

At the same time the projected law has singled out a section that deals with applying the law to agricultural cooperatives, i.e. to kolkhozes as well as, I would like to emphasize, to others that may develop or that are already developing in village areas. Focused here are the requirements dealing with the application of the general norms of the law to enterprises and organizations of consumer cooperatives. And finally, there is a collection of laws that reflect the specifics of newly-developed cooperatives in cities and in all other settlements of the country—cooperatives involved in the production of goods and services for the population.

Thus I will emphasize once again that special sections of the law that single out particular types of cooperatives do not cancel or limit their rights to utilize without exception all general norms of the law. These sections simply develop those special characteristics for using general norms which arise from the specifics of agricultural and other production and consumer cooperatives. All of this applies fully to kolkhozes.

For this reason pronouncements that kolkhozes must follow only those norms which have been formulated or singled out for them in the special section of the law are mistaken. It is important to clarify that all of the provisions of the law are applicable to the collective enterprise as the most widespread type of production cooperative in our country. Kolkhozes themselves as well as all organs that deal with their administration should act according to this principle.

Then why did we need this section on the special characteristics of various types of cooperatives? First of all, as we know kolkhozes are the main suppliers of raw and other materials for the country's food industry. I will present several figures. Let us look at gross production. Kolkhozes, of which there are 26,700 in the country, now produce about 50 percent of all gross grain production, 65 percent of all cotton, 88 percent of sugar beets, 72 percent of sunflower seed, 39 percent of all milk, 27 percent of the meat and so forth. In other words the proportion of kolkhozes in the production of these products is significantly greater than, let us say, that of state enterprises, and especially of private plots.

Let us look at commodity products. According to this index too the proportion of kolkhozes is the same as in gross agricultural production of the same types. Moreover, in the production of sunflowers their percentage is even higher—76 percent; in commodity meat production the share produced by kolkhozes equals 54 percent. In other words, the level of marketability for individual types of products in kolkhozes is significant and for this reason we are justified in speaking about the fact that kolkhozes are the leading supplier of state resources, an especially important part of agricultural production.

Naturally as a result, the law must foresee some kinds of measures to make sure that in the future, especially with the implementation of all of its norms, there will be no disruptions in the delivery of commodity products in the country, to make sure that on the contrary all of us will be assured of the fact that the law will open up extensive opportunities for demonstrating kolkhoz initiative on the basis of expanding independence. In my opinion, this unfettered initiative will only stimulate an increase in the supply of agricultural products for national production resources contributed by kolkhozes. This is why some norms, which strengthen our certitude and our intentions, have been formulated.

Secondly, kolkhozes operate within the country's agro-industrial complex. Their tasks are formulated in a whole series of documents. These tasks can be reduced to the goal of achieving constantly-growing supplies of food resources as well as non-food commodities for state resources, and above all for the populations of all republics, oblasts and rayons of our country. I repeat, we are talking about stable supplies of food first and foremost as well as of non-food products. Being an integral part of the agro-industrial complex, kolkhozes of course bear the considerable burden of this extremely important socio-economic function. Consequently, kolkhozes in their operations thus or otherwise will have to adapt the directions and structure of their enterprise and the volume of production output to the basic tasks of the agro-industrial complex as a whole. In my opinion this is obvious to each and everyone.

Thirdly, kolkhozes, as written in the projected law (which, incidentally, reflects actual reality) are today the predominant type of agricultural cooperative. The predominant one, but not the only one, we feel. And the mistake of the past, i.e. of the period of collectivization, in our opinion has to do with the fact that all of the diversity of cooperative forms that could have been utilized in agriculture was reduced to the kolkhoz, i.e. to the collective enterprise with a high level of centralism in administration and in the distribution of products produced and with a high level of centralism in managing all of the affairs of the kolkhoz. And now, looking back at our history, we can firmly and clearly say (a sufficient amount has already been written about this in our

periodicals in recent years) that excessive regulation of the collective enterprise did not facilitate the development of agricultural production. On the contrary, excessive limitations on the operations of kolkhozes on the basis of a high degree of centralism transformed the kolkhoz, not in form but in essence, into a variation of the centrally-managed state enterprise. Was this useful? I feel that it was not. After all at the present time many have already forgotten about the cooperative nature and cooperative essence of kolkhozes. They view them as enterprises which are called upon to only fulfill centralized assignments and to give an account about their fulfillment.

Meanwhile, Vladimir Ilich Lenin examined peasant cooperatives as a multiplicity of forms. The draft of the law states directly that while being the predominant form of cooperation in agriculture the kolkhoz is not the only form. We are making provisions for the creation of independent cooperatives within kolkhozes upon the desire of workers and for the formation of small cooperatives outside of kolkhozes.

Moreover, the draft of the law provides certain guarantees for the development of such forms if they are economically expedient. Here kolkhozes are obliged to provide the necessary material and technical supplies for them and to give them complete independence in planning their operations, in creating their income and in opening current accounts in Gosbank. At the same time, as a guarantee of their successful operations, the projected law includes an article which states that cooperative machine-milling points, and supply, service and other cooperatives may be created. In other words, small cooperatives can receive tractors and complex agricultural machinery for carrying out their operations by leasing them or under other conditions. This means that they can utilize the property of large enterprises, the property that yields a real economic effect.

Thus a special division, which is called "Kolkhozes and other agricultural cooperatives within the system of production cooperation," was needed to reflect all of these special features.

POLICY, ORGANIZATION

Regulations Published for Construction Material Incentive Fund 18210007a Moscow EKONOMICHESKAYA GAZETA in Russian No 15, Apr 88

[Unattributed article under "New Official Materials—Cost Accounting and Self-Financing" rubrics: "The Material Incentive Fund for Construction Organizations"]

[Text] With this article, we continue publishing the materials on full cost accounting [polnyy khozraschet] and self-financing which were approved by the Commission on Improving Administration, Planning and the Economic Mechanism (see EKONOMICHESKAYA GAZETA Nos 50 and 52 from 1987, Nos 4, 6, 7, 10, 12 and 13 from 1988). The following is the Statute on the Procedure for Forming and Using a Material Incentive Fund During 1988-1990 for Construction Organizations Which Have Changed Over to Full Economic Accountability and Self-Financing.

This statute was developed on the basis of the USSR State Enterprise (Association) Law, and shows how to set up and use a material incentive fund for construction organizations* which have changed over to full cost accounting and self-financing, and which use an economic accounting procedure based on the standard distribution of profits.

I. PROCEDURE FOR CALCULATING STABLE NORMS FOR FORMING A MATERIAL INCENTIVE FUND

1. Organizations form their material incentive funds in keeping with stable norms for the profits remaining at their disposal which are used as a fund-forming indicator.

The first thing to do when calculating the quotas for forming a material incentive fund during a transition to full cost accounting and self-financing is to determine the amount of assets allocated for said fund in accordance with the five-year plan calculations.

To this end, the material incentive fund stipulated in the calculations of the 1988-1990 Five-Year Plan period (by years), is increased to the amount of the bonus fund formed from profits and production costs for construction and installation work.

A list of the assets making up the material incentive fund and used to calculate the quotas, is shown in Appendix No 1 to this Statute.

2. The quotas used to form a material incentive fund for organizations which are planned to operate at a profit are arrived at by dividing the assets deducted according to Point 1 of this Statute by the total profits remaining at the disposal of the organizations for 1988-1990 (by years).

In order to provide profitable organizations with stable working conditions, the quotas for assets deducted into the material incentive fund from the profits remaining at their disposal and calculated in accordance with this Point are averaged out for each year of the five-year plan period.

Appendix No 2 to this Statute provides an example of how to calculate the averaged quotas for allotments into the material incentive fund.

3. The fund-forming index for unprofitable organizations equals the sum of the profits plus progressively reduced subsidies; the same index for organizations planned to operate at a loss is the sum of the savings derived from cutting losses plus progressively reduced subsidies.

Stable quotas for forming a material incentive fund for these organizations are determined by dividing the monies calculated in terms of Point 1 of this Statute—for unprofitable organizations—by the sum of the profits and the progressively reduced subsidies for 1988-1990 and—for organizations planned to operate at a loss (subsidized organizations)—by the sum of the savings derived from reduced losses and computed by an increasing sum by 1988, and the progressively reduced subsidies for 1988-1990.

An example of the calculation of quotas for unprofitable and subsidized organizations is shown in Appendix No 3 to this Statute.

4. The stable quotas used to form organizations' material incentive funds are approved by ministries (departments) and superior organizations with the consent of the appropriate trade union committees.

When approving the quotas, it is necessary that the amounts in the organizations' material incentive fund correspond with the assets in this fund throughout the ministry (department) and the superior organization overall (taking the reserve for this fund into account).

5. The ministry (department) and the superior organization can, with the consent of the appropriate trade union committees differentiate the quotas for forming the material incentive fund among individual organizations.

II. PROCEDURE FOR FORMING A MATERIAL INCENTIVE FUND

6. Material incentive funds are determined in the plan by the organization, and are actually defined by multiplying the quota set by organizations planned to operate at a profit according to Point 2, and by subsidized and unprofitable organizations according to Point 3 of this Statute, by the amount of the fund-forming indicator calculated by a total which increases from the end of the year.

Material incentive funds are planned and formed quarterly.

Organizations which have losses planned into their quarterly figures put deductions into the material incentive fund during the planned-loss quarters, based on the planned annual total profits.

7. When organizations fulfill 100 percent of their obligations for putting production capacities, projects and facilities, housing and other social-purpose facilities into operation according to their contracts, taking into account the degree to which they meet planned construction deadlines and fulfill their obligations for delivering products and services (and when subcontracting organizations fulfill 100 percent of their obligations for all complexes of special-purpose and installation work on production capacities and projects under construction), the material incentive fund stipulated in the quarter under review is increased by 15 percent.

This increase in deductions is made by using the actual profits remaining at the disposal of the organizations, until they are distributed in compliance with the norms into the economic incentive funds, or by using the organization's financial reserve or the centralized production development fund, the science and technology fund and the ministry's (department's) and superior organization's reserve fund.

8. The amount of an organization's material incentive fund, as figured in accordance with Point 6 of this Statute, is increased by using:

assets obtained from clients for awarding bonuses to workers for putting production capacities and projects into operation within, or ahead of, deadlines;

a portion of the assets received from clients for reducing the time taken to put production capacities into operation against approved time norms;

deductions from assets saved through reductions in estimated construction costs against contracted prices and earmarked for material incentive;

assets obtained by the organization from the centralized production development fund, the science and technology fund and from ministry's (department's) or superior organization's reserve fund.

9. Assets formed from unused savings in the wage fund earned against the prescribed norm can be transferred into the material incentive fund at the end of the year.

In so doing, the above assets are transferred by using real profits earned above the sums stipulated in the organization's plan prior to the profits' being distributed in accordance with the set norm.

10. Should organizations disturb the correlation between increasing the average wage and increasing labor productivity by increasing work results from the beginning of the five-year plan period, as calculated on the basis of the normative relationship between the increase in these indicators stipulated for the years of the five-year plan period, a corresponding portion of the material incentive fund is held in reserve for use when the normative relationship is attained, or is transferred into the social development fund to finance capital investments. Indefining the above relationship, assets used to award bonuses for putting production capacities and projects into operation are not counted when the assets used are provided for in construction estimates; for paying northern-service raises on bonuses; for giving one-time aid or acquiring gifts.

11. A material incentive fund for newly created organizations is formed in the plan by using assets from the centralized production development fund, the science and technology fund and ministry (department) and superior organization funds.

III. PROCEDURE FOR USING A MATERIAL INCENTIVE FUND

12. Material incentive fund assets are expended in accordance with an estimate. A draft of an estimate for expending the fund in question is submitted to the organization's labor collective for discussion and after approval is confirmed by a joint decision of the management, the labor collective council and the trade union committee and appended to the collective contract. The management and the trade union committee inform the labor collective of the execution of this estimate.

When drawing up the estimate, the assets to be used for paying bonuses and awards are provided, taking into account established normative relations between the increase in the average wage and the increase in labor productivity due to increased work results since the beginning of the five-year plan period.

13. The material incentive fund is used to pay bonuses, awards and other types of incentives for labor and material assistance. This fund is also used for pay for

workers' regular vacations in amounts corresponding to the portion of their wages paid from the material incentive fund and regional coefficients to bonuses added from this fund.

14. Organizations can, with the consent of the labor collective, use material incentive fund assets to pay wages when the actual wage fund exceeds the normative (planned) wage fund.

15. In individual cases, with the consent of the labor collective, during the changeover year to the new wage system, a portion of the material incentive fund assets can be used to raise wage rates and salaries. In the upcoming years of the 12th Five-Year Plan period, these assets are provided for in the estimate for expenditures for the material incentive fund through planned deductions into this fund.

16. Unused residual monies from the material incentive fund are not subject to confiscation and are used during subsequent years generally in accordance with an approved estimate for its expenditure.

*Construction organizations include: construction and installation trusts, building repair trusts (associations), planning industrial and construction (planning and construction) associations, production construction and installation associations, house-building combines, and other construction organizations affected by the USSR State Enterprise (Association) Law, hereafter referred to as "organizations".

**The amount of planned profits for profit-making organizations stipulated in the 1988-1990 portion of the five-year plan is increased to the sum of the material incentive fund's bonus funds, which are formed from the production costs of construction and installation work.

APPENDIX No 1 LIST OF MATERIAL INCENTIVE FUND ASSETS USED TO CALCULATE NORMS FOR ITS FORMATION

The material incentive fund for the five-year plan period.

An additional material incentive fund used to stimulate increased production of consumer goods per ruble in the wage fund.

Appendix No 2.

Five-Year Plan Material Incentive Fund, in 1000's rubles
Five-Year Plan Social Development Fund, in 1000's rubles
Production, Science and Technology Development Fund, in 1000's rubles

Bonuses for developing, devising and introducing new equipment (minus those assets channeled into the centralized ministry fund), and for transferring technological achievements.

Bonuses for economizing on specific types of material resources.

Authors' remunerations for inventors and innovators.

Bonuses for assisting in invention and innovation, paid from a fund set up within the organization.

Bonuses for raising the degree of reactive power compensation in electrical installations.

Other types of bonuses, formed from profits and production costs, which reflect the specific nature of the work of the organizations. An organization fund (40 percent of which is directed into the material incentive fund).

EXAMPLE OF PROCEDURE FOR CALCULATING AVERAGED NORMS FOR ALLOTMENTS INTO THE MATERIAL INCENTIVE FUND, AND PROFITS REMAINING AT THE DISPOSAL OF THE ORGANIZATIONS (RESIDUAL PROFITS)

The total amount in each of three economic incentive funds for 1988-1990 must be determined in order to average the norms and residual profits. Then all three funds are totalled for three years, thus determining the total profits remaining at the disposal of the organizations for 1988-1990.

In order to determine the averaged norms for assets deducted from profits and put into the material incentive fund, the total amount of this fund for three years is divided into the total profits remaining at the organizations' disposal for this period.

The sums in the material incentive fund provided in the five-year plan for these years and the averaged quotas for allotments into the material incentive fund, which are calculated with allowance made for the assets shown in Appendix No 1 to this Statute, are used to determine the total profits remaining at the disposal of the organizations for 1988-1990 (by years).

The social and production, science and technological development funds should be recalculated, taking into account the averaged quotas and the profits remaining at the disposal of the organizations. In so doing, if the calculated sums of each of these funds turn out to be less than stipulated for the corresponding years in the five-year plan, the difference is made up with bank loans.

	1988	1989	1990	Three-year total
Five-Year Plan Material Incentive Fund, in 1000's rubles	200	210	230	640
Five-Year Plan Social Development Fund, in 1000's rubles	100	110	130	340
Production, Science and Technology Development Fund, in 1000's rubles	200	300	400	900

Appendix No 2.

	1988	1989	1990	Three-year total
Profits remaining at the disposal of organizations, according to five-year plan calculations, in 1000's rubles	500	620	760	1,880
Averaged quota for forming Material Incentive Fund, % (640 X 100 : 1,880)	34.04	34.04	34.04	
Averaged quota for forming Social Development Fund, % (340 X 100 : 1,880)	18.09	18.09	18.09	
Averaged quota for forming Production, Science and Technology Fund, % (900 X 100 : 1,880)	47.87	47.87	47.87	
Profits remaining at the disposal of the organizations, and calculated taking into account the averaged standard for the material incentive fund, in 1000's rubles	587.6*	616.8**	675.6***	1,880
Social Development Fund, calculated with allowance for averaged quota, in 1000's rubles	106.3	111.5	122.2	340
Production, Science and Technology Development Fund, with allowance for averaged quota, in 1000's rubles	281.3	295.3	323.4	900

* $587.6=200 \times 100:34.04$

** $616.8=210 \times 100:34.04$

*** $675.6=230 \times 100:34.04$

Ministries (departments) can use other methods to average these quotas. In so doing, the sum of the material incentive fund, the social development fund and the production, science and technology development fund

must correspond to their calculated amounts, as accepted in the five-year plan and the sum of these funds for each successive year should usually be greater than their sum for the preceding year.

Appendix No 3. Example of Calculation of Quotas Used in Forming, and Amounts of Material Incentive Fund for Subsidized Organizations

Calculation of Quota for Forming Material Incentive Fund	Unit of Measurement	1988	1989	1990
	1000's rubles	1,000	700	600
Subsidy to cover planned losses and to form economic incentive funds	1000's rubles	—	300	400
Savings from reducing planned losses	1000's rubles	1,000	1,000	1,000
Sum of subsidy plus savings from reducing planned losses	1000's rubles	400	500	600
Calculated amount of economic stimulation funds formed from profits according to five-year plan for corresponding years (total)	1000's rubles	100	105	110
Including calculated amount of material incentive fund	Percent	10*	10.5**	11***
Standard for forming material incentive fund				

* $10=100 \times 100:1,000$

** $10.5=105 \times 100:1,000$

*** $11=110 \times 100:1,000$

Calculation of amount of (actual) material incentive fund

	Actual savings from reducing planned losses	1000's rubles	—	350	350
	1000's rubles	1,000	700	600	
Subsidy to cover planned losses and to form economic incentive funds	1000's rubles	1,000	700	600	
Sum of actual savings and subsidy	1000's rubles	1,000	1,050	950	
Amount of material incentive fund	1000's rubles	100*	110.25**	104.5***	

* $100=1,000 \times 10:100$

** $110.25=1,050 \times 10.5:100$

*** $104.5=950 \times 11:100$

HOUSING CONSTRUCTION

Yeltsin on Building Industry Problems 18210010 Moscow STROITELNAYA GAZETA in Russian 3 May 88 p 2

[Unattributed article: "Comments by B. Yeltsin, first deputy chairman of Gosstroy SSSR"]

[Text] "According to the type of my work at the USSR State Committee for Construction," Boris Nikolayevich Yeltsin said in a conversation with correspondents of STROITELNAYA GAZETA, "I have occasion to deal with problems directly connected with scientific and technical progress. Yes, the situation is really serious here. Acceleration of the rates of scientific and technical progress is the basic permanently operating factor in an increase in the efficiency of building production and, consequently, in the renewal and accelerated development of the country's entire economy.

"Therefore, fundamental changes in our sector are especially necessary now. As it seems to me, social and economic restructuring in the country has entered a decisive phase. The success of the implemented transformations depends on the support of wide masses of workers, who hope for changes for the better in their life and connect them with restructuring. These hopes should not be disappointed, because then it will not be easy to restore people's faith and to rouse them to big actions.

"What can restructuring give people in the very near future? I think, first of all, an improvement in housing conditions and an increase in the number of modern medical institutions, schools, and kindergartens. The program for providing every family with a separate apartment or an individual house by the year 2000, which was adopted by the party, directs builders precisely toward this.

"Of course, this period will hardly seem near to those who are in dire need of housing and of an expansion of social services. Therefore, it is advisable to establish some stages in the fulfillment of the social program and to tell people precisely what will be done for them and when. For example, that we will solve the problem of provision with preschool children's institutions in 3 or 5 years, another problem, in 4 years, and so forth.

"However, at existing rates and with the quality of construction and periods of introduction of scientific and technical achievements these major social tasks can be hardly fulfilled in a short time. First of all, it is necessary to eliminate the stress experienced by the sector owing to noncorrespondence of the capacities of contracting organizations and the provision with resources, on the one hand, and the number of started construction projects, on the other. Is such a task realistic? I believe it is. There is a large number of construction projects, which should be abandoned decisively.

Many of these vast projects valued at tens and hundreds of millions of rubles are oriented toward yesterday, when extensive methods of management predominated and obsolete technical decisions were in vogue. Above all, existing capacities were and are utilized inefficiently, as a rule, in one shift. In a number of cases the appearance of wasteful projects is due to purely departmental interests and ambitions and to an attempt to retain the position held in management or a scientific hierarchy. Such is the plan for the construction of the Ryazanskaya Magnethydrodynamic Electric Power Station, about the insolvency of which your newspaper wrote.

"Yesterday is also reprinted in plans, which have just been or are being developed. I am confident that, as long as full cost accounting and self-financing principles are only beginning to carve their way, state bodies should place a barrier against such 'undertakings.' The state commission of experts of Gosstroy SSSR and republic gosstroys, which is now restructuring its work in precisely such a direction, is destined to play an important role here.

"This happens with difficulty. At one time Gosstroy's subdivision of experts was subjected to a significant reduction. We lost experienced personnel. Today we have to take an inventory of the plans of all major projects in the shortest time and to reject everything that does not meet the requirements of scientific and technical progress. Naturally, this is an extraordinary 'command' measure. In order not to commit follies, it is important to establish a skilled approach maximally excluding volitional decisions. We will enlist specialists from scientific institutions and from production, strive for a complete openness on the part of the commission of experts, and give up bureaucratic, closed methods, which, incidentally, lead not only to errors, but also to a delay of months and years in the examination of plans by experts.

"A public discussion of plans, which is now ever more often practised by the public, should also become the practice for state bodies. In general, we should get away from the 'cult of power' in any area whatsoever and create an automatically operating anticult mechanism. With regard to the examination by experts, ultimately, administrative command methods should be replaced with a system, under which planners and clients themselves would not want to and could not develop obsolete plans.

"At the same time, we will have to embark immediately on the formation of an efficient system of utilizing scientific and technical achievements in the sector, without waiting for the outcome of the fight against useless and sometimes even openly harmful construction programs. Such work has begun. I cannot say what final form the planning and organization of the introduction of advanced developments will assume. Gosstroy's appropriate recommendations are now being discussed

in localities. All suggestions, including by participants in the held conference, will be studied carefully and taken into consideration maximally.

"I would like to touch upon another aspect of the problem. Of course, the utilization of the scientific and technical potential that has already been accumulated is a matter of paramount importance now. However, it is quite clear that we cannot do with mediocre developments—we need revolutionary ideas. We cannot endlessly continue, for example, the policy of developing large-panel house construction adopted at one time! The proportion of the reinforced concrete 'box' will be lowered. With what should it be replaced? We do not give serious thought to this. There are few fundamentally new ideas, as though we intend to drag the same panel housing with all its 'advantages' into the third millennium. And if such ideas are put forward, they are rejected immediately as unrealistic and undeveloped.

"Well then, there is a need for a fundamental restructuring not only in the 'science-production' link, but also in the management of scientific research and scientific investigations. Why institutes should not establish kinds of creative risk groups out of associates who have the inclination and necessary qualities for research work? Let there be more suggestions. Construction can be revolutionized only by rejecting what is considered correct from force of habit and by tradition. Incidentally, this is relevant not only to the management of science, but also to our entire life.

"The work of central departments, including Gosstroy, is evaluated quite negatively in localities (this is no secret). We were occupied a great deal with trifles and still are.

We want to provide for everything and control everything, up to the last bolt, from a single center. How many years every step of the builder, client, and planner was prescribed down to the most minute details?! But global problems, for example, such as the country's finances, remained poorly controlled, although this is the first duty of centralized power. A disbalance between commodity and material flows grew spontaneously. The economic turnover and the state budget were oversaturated beyond any measure with superfluous money not embodied in machines, food products, and production capacities.

"People can say: Let the Gosplan, the Ministry of Finance, and the State Bank think about attaining a material and financial balance... No, if Gosstroy truly wants to become a construction management body, our committee under no circumstances should remain aloof from this problem. Let there be a tiny bit more construction and machine building capacities than the money available to clients, not vice versa as now. Then contractors and manufacturers of equipment will begin to chase after orders, raise—otherwise they will not survive—the quality of their output, and introduce scientific and technical achievements in a short time.

"Ultimately, our goal is to establish a truly integrated system for managing the country's entire construction complex so that the state may manage major problems in a centralized manner and, as a rule, by means of economic incentives and so that labor collectives may have wide scope for self-management, individual initiative, and self-administration."

POLICY, ORGANIZATION

Minimum Cost of Living Indicator Needed
18270060 Moscow NEDELYA in Russian
No 19, 9-15 May 88 p 6

[Article by Nikolay Petrakov, corresponding member, USSR Academy of Sciences: "How Much Is Needed To Live On?: It's High Time That We Introduced a Minimum Cost of Living Indicator Into Our Social and Economic Practice"]

[Text] While in a metro car on the way to work, I happened to overhear a discussion of an economic matter which is vitally important for all of us. It was about incomes. Poking his finger into a newspaper, a young fellow summarized an item which he had just read for his corpulent neighbor, a man obviously about to retire on a pension: "Boris Palych, just imagine, it turns out that 65 percent of our country's population has a per capita income of 100 or more rubles a month!" "Well, so what?" Boris Pavlovich replied phlegmatically. "What do you mean, 'so what'? You know, in 1970 only 18 percent of the people had such incomes. Just figure it out: that's only one out of five." "Yes, but, of course, money was also different then," Boris Pavlovich countered. "During those years, I was making 20 percent less than you are now, and it was enough for everything. But all I hear from you is: 'Where can I get some extra work? Where can I get something to keep the pot boiling?...' And, after all, it's not as if you didn't dress stylishly, and your wife didn't earn good money."

I must confess to being glad that neither of the participants in this conversation guessed that standing right next to them was an economist who, by virtue of his field of specialization, is obliged to know the answers to such questions, answers, moreover, that are reinforced not just by general opinions, but by figures and calculations. Unfortunately, the official statistics do not present either to the population or to specialists data on the minimum cost of living, on the dynamics of living costs; these are not given on an average but for groups within the population, let's say, for pensioners, workers, scientific staff members, or rural laborers.

Average figures regarding the family budget, or the population's incomes and outlays actually say very little to a person's mind and heart, even to those of a person professionally concerned with economic matters. And here it is not so much that such data evoke in many persons an association with the average temperature in a hospital (although, it must be confessed, that such analogies are entirely appropriate in the given case). The main thing is that any average magnitude in economics, and not just in economics, acquires substantive meaning only if we have information about the magnitude and nature of the actual deviations from this average itself. But it is precisely this data which is not published, and if it is published, then it is only for a narrow circle. Here, for example, is a widely known figure: in our country th

e average monthly wage for industrial employees amounts to 210.6 rubles. Quite fitting and proper, right? But this statistic hardly gladdens the hearts of women workers in garment factories, who earn 150 rubles a month. However, miners would be amazed by it; they know that they earn more than 340 rubles a month.

For decades there has prevailed an erroneous opinion to the effect that a minimum cost of living indicator is not needed in a socialist society(!). The concept of a minimum wage, they say, is sufficient. Of course, it is completely justifiable to consider a rise in the minimum wage as one of the most important trends of our state's social policy. But wages are wages, and per capita family income is something very different. After all, the composition of a family can vary. In addition to working people earning wages, the country has an enormous number of pensioners, students, and persons living off their relatives....

Calculating the minimum cost of living is hardly a matter of satisfying idle curiosity. Such an indicator is necessary as a guideline, as a unique point of departure in determining the amounts of various types of aid grants (let's say, for example, to families with many children or single mothers). It is also necessary for carrying out a more flexible policy of pension support, in particular, for regulating the procedure used in revising pension amounts. It would be a good idea to introduce such a mechanism under which pensions would be revised, let's say, every five years, depending upon the cost-of-living index. Presently under extensive discussion is the matter of a possible leveling out, and on a number of items, raising the retail prices with an obligatory material compensation in the form of supplementary payments to wages, pensions, stipends, etc. The minimum cost of living indicator is absolutely necessary for calculating the variants of such a compensation. It should be said, moreover, that it is also necessary to justify the amounts of the minimum wage, if, in establishing the latter, we use as our point of departure not only how much can be paid for labor, but if we also take into account how much needs to be received for it in order to live on.

The list of problems for whose analysis and solution a minimum cost of living indicator is necessary, and, in general, cost of living indexes differentiated by family composition, regions of the country, and aggregate occupational groups could be continued on and on. However, even without this it is clear we need such indicators, especially nowadays, when a course has been set toward conducting a strong social policy. But how are these indexes to be computed? From whom should we learn, and whose experience should we adopt?

It turns out that we should learn from our own experience.

Yes, from our own experience: the so-called budget indexes, i.e., indicators of the change in the high prices of the most important goods and services included in the

43 CONSUMER GOODS, DOMESTIC TRADE

"consumer basket" of workers, have been calculated in our country...since 1919. At first, right up to 1921, this budget index was calculated for 16 food items and in its essence constituted an index of the minimum cost for the daily nutritional norm for an adult worker (2,700 calories). Then the budget index took on the characteristics of price dynamics on a set of 24 industrial and food items, and then, beginning in October 1926—on 40 items and types of services, including apartment rent payments, cultural-educational, and other expenditures. Statistical observations were conducted for 29 cities.

It is very essential that, in compiling the "consumer basket" which includes the items considered in calculating this index, a great deal of attention be paid to the "weighting norms," that is the establishment of each item's in the "basket." These norms were made as close as possible to the actual consumption structure of the population. Also taken into account were the prices of state, cooperative, and private trade—depending upon their actual importance in a worker's budget. On the whole, it can be said that the All-Union Budget Index which was published during the 1920's—let's draw attention to the fact that it came out monthly, was computed on the highest "world level" of statistical methodology during those years.

While ardently propagandizing the experience of the 1920's, I do not wish to say that our statisticians of the late 1980's have nothing to contribute by way of collecting and processing the appropriate information. But our work has not been aimed at "end results."

And, of course, we will be keeping the following factor in mind: the efforts of economists alone are insufficient to furnish justifiable grounds for determining cost of living indexes. Sociologists, psychologists, and physiologists must take part in such work. The results of research studies must be made accessible to the public at large, and they should become the subject of an open discussion. Why so? Not for the sake of satisfying an idle curiosity and not merely for raising the "population's level of information," but rather so that we can more competently solve the vitally important problems of well-being and the increase of each and everybody's real incomes. This is also needed so that enterprises determining the price of a certain item can know precisely who will be able to buy it and will want to, rather than being guided by some "average" inhabitant of the country with an "average" wage of 210 rubles a month.

2384

Relationship of Supply, Demand, Prices Analyzed 18270061 Moscow *TRUD* in Russian 18 May 88 p 2

[Article under the "Polemical Remarks" rubric by A. Deryabin, chief, Price-Formation Theory and Methodology Sector, USSR Academy of Sciences Economics Institute, doctor of economic sciences, and professor: "In the Mirror of the Shortage: Demand, Supply, Prices"]

[Text] The first and most complicated task in the radical reform of price formation is to eliminate the imbalance between the material-substance and cost proportions in

the national economy. To put it more simply, we must put an end to the virtually universal shortage of producer goods and consumer goods. But this is not the first time that price reform will have been conducted in our country. It makes sense, therefore, to look attentively at how prices have changed and at what results have been achieved thereby.

The presently existing retail prices were put into effect in 1982, purchase prices—in 1983, and prices on construction output—in 1984. Since the 1950's purchase prices as a whole have increased by a factor of 4.6, and on livestock-raising products—by a factor of 5.6.

As to retail prices, they have been increased officially on only certain items. But the basic growth has occurred in hidden forms: by means of "washing out" the inexpensive assortment, lowering the quality of the recipes used in making food products, giving old items new brand-names, articles, labels, etc.

All of this suggests the following conclusion: first, present-day prices in their majority are not the old ones; and, second, they are constantly changing and doing so quite substantially. Nevertheless, the managers of almost all sectors and departments are nowadays demanding price hikes for various "objective" reasons. Thus, V. Groshev, chief of one of the divisions of USSR Goskomtsen [State Committee on Prices] declared: "...We out to sell licenses to the gatherers of mushrooms, berries, and nuts." The USSR Ministry of Railways petitioned the government to double the fee for traveling on the metro. A. Kamshalov, chairman of USSR Goskin [State Committee for Cinematography], has proposed that prices be raised on motion-picture theater tickets. L. Paladich, chairman of the USSR Ministry of the Maritime Fleet's All-Union Association of Maritime Passenger Lines and Cruises, has proposed that rates be immediately raised on passenger and tour ist hauls by factors ranging from 2 to 8.5!...

Note the following: in considering perestroika in his own sphere, almost every administrator deems a considerable hike in prices and rates as the first condition for improvement in his operation.

Among the leading officials of USSR Goskomtsen there are no longer any doubts about the necessity of promptly raising wholesale prices on fuel, energy, and other resources. Many persons mistakenly think that the increase, for example, of wholesale prices on coal or electric power do not affect us as purchasers of consumer goods. It was specifically the price hikes on these items in 1967 and 1982 which led to the emergence and exacerbation of the shortage of consumer goods.

We must understand clearly that the level of retail prices depends on the level of wholesale and purchase prices. A change in any of them changes the entire price scale. If one ruble were to support a relatively smaller proportion of raw materials, fuel, metal, machine tools, and other

producer goods, then sooner or latter there would also be a decline in the same proportion in the support of consumer goods, and a shortage would come about.

Let's attempt to analyze what is occurring here. Simply put, the price of an item can be broken down into the following three parts: 1.) the cost of raw materials, other materials, fuel, etc., 2.) wage expenditures, and 3.) profit. When the price is raised on an item being purchased, the profit increases first of all. Producer goods become more expensive only in proportion to the hike in prices on them. Wages remain unchanged. It turns out that the profit increase outstrips the total price hike. Thus, when the profit doubles, the price can increase by only one-third. But we must bear in mind that enterprises' profits go principally into accumulation, into building new production facilities, as well as renovating and modernizing old ones. With a rise in prices, as we have stipulated, the funds earmarked for accumulation double. But, of course, a simple price hike does not bring about a single brick produced nor a single machine tool more. And, in our example, the prices on them have increased by only one-third. Consequently, the enterprise cannot spend two-thirds of its own profit. The money turns out to be surplus!

But surplus money does not disappear. Through thousands of different channels it gradually makes its way into our pockets—and then a shortage comes about. Let's recall that back in 1968 all the refrigerators in this country were literally chock-full of meat and butter. But the results of the wholesale price hikes of 1967 soon made themselves felt among the population. And meat and butter were already in short supply in 1969. Here's another example. In 1983 conditions evolved for some lowering of retail prices. But the results of the wholesale price hikes of 1982 caught up with the economy, and in 1984 the overall shortage of consumer goods began to grow rapidly.

Thus, one-time and, I would say, random actions with regard to raising prices in the past have failed to improve the situation in any way whatsoever, but instead have exacerbated the difficulties in our economy.

Here are a few figures. In order to completely satisfy the demand in 1987, it would have been necessary to add the following amounts: 2.5-3 million tons of meat and meat products; 4-5 million tons of fresh vegetables; 10-15 million tons of fruits and berries; 10-15 million pairs of leather footwear for children; 1 million color and black-and-white television sets; and hundreds of thousands of passenger automobiles.

In 1987 the total shortage of consumer goods amounted to at least 30 billion rubles worth. Furthermore, we must add to this the unsatisfied demand from the preceding years. According to various estimates, this amounts to from one-fourth to one-half of the deposits now in savings-passbook accounts, i.e., 70-140 billion rubles.

Only by completely satisfying the demand can economic levers, incentives, and norms function effectively. Nor can the principle of social justice be implemented where there is a shortage. Such a principle consists of the society having economic guarantees of equal purchasing power of each and every working ruble with the absolutely equal accessibility of any goods to all working people.

If we truly wish to solve this problem, then we are obligated to answer the following question: Can the overall goods shortage be eliminated by raising prices, provided that there is full compensation for this hike? The answer can only be negative. Let's suppose that customer demand amounts to 400 billion rubles and that there are only 370 billion rubles worth of goods. We raise prices to cover the 30 billion rubles worth of shortfall and immediately hand them over to the population in the form of a compensation. The supply of these same goods at the new, higher prices will now amount to 400 billion rubles worth. But, of course, the demand will also have gone up—to 430 billion rubles. As a result, we have the same shortage all over again, but now at a new price scale.

It is already clear from this hypothetical example that a balance between the demand for and the supply of goods can be achieved either by reducing the monetary supply now in circulation, or by devaluing it to an appropriate amount. And both these methods were employed in 1947, when the ration-card system was done away with, and the transition was made to free trade in all goods. At that time not only were prices raised, but a monetary reform was also carried out. Cash was exchanged at the following rate: 10 rubles of old money for 1 ruble of new money. Moreover, the monetary exchange was organized in such a way that a significant portion of the rural population could not exchange their money—because of the tight deadlines for the exchange and the too-small number of exchange centers. Non-cash assets were likewise sharply reduced.

Could we now utilize this form and these methods again in order to solve the shortage problem? I think not. Such a solution would mean that the burdens connected with eliminating the shortage would be distributed "in a fraternal way" among everybody: those who during the stagnant years predatorily plundered the society and are continuing to do so now, as well as those who create the valuables.

And so we reject the old methods. What do we propose to replace them with? Let's return to a consideration of the reasons for the evolution of the overall goods shortage. Where did the latter emerge: in the production sphere or in the distribution sphere? Were stable prices on meat and dairy products the only factor to blame for this? We have already answered these questions in part. The shortage emerged when retail prices began to be raised sharply. The surplus of payment funds (i.e., money) in the hands of the enterprises which came about when retail and purchase prices were raised gradually trickled down to the employees, for example, in the form of higher bonuses and wages.

A second source of the shortage is blatant mismanagement. Much has been said about the unprofitableness for the state of producing and selling potatoes and vegetables. Their retail prices do not cover their production costs. But what are these costs? In 1986 losses from thefts, spoilage, shortages, and material losses for the Mosglavovoshcheprom [Moscow Main Vegetable Industry Administration] alone amounted to 59 million rubles. But this is only slightly less than the value of 600,000 tons of potatoes at retail prices! For the country as a whole there is an annual loss of fruit-and-vegetable products amounting to 1.5-2 billion rubles worth.

The production cost of fattening up cattle in Georgia amounts to 4.5 rubles. This is almost double the average amount for the country as a whole. With such production costs for fattening, the production of 1 kg [kilogram] of meat costs approximately 10-12 rubles. The costs of fattening up pigs, as well as for producing milk and eggs, are just as astounding here. There are also numerous instances of another kind. For example, on the Mir Livestock-Raising Complex, Brest Oblast, labor costs per quintal of added weight are only 1/19 of the nationwide average and practically 1/40 of those in Georgia.

Perhaps, in the final analysis, we should begin to heed the opinion of the specialists. For example, V.A. Tikhonov, academician of the VASKhNIL [Academy of Agricultural Sciences imeni V.I. Lenin], states the following: "There are farms in our country which will not improve themselves economically under any conditions. We must make it possible for people to change the production structure of their farms. For example, to create a handicrafts artel on its base, to give them freedom in making economic decisions and putting them into action."

All of this attests to the fact that, in order to eliminate the overall shortage, we must, first of all, reduce the incomes of those who work badly, who allow mismanagement and losses, create defective goods, and turn out obsolete products. It is not simple to accomplish this. We need the willpower and the desire to wage a struggle—because, after all, nobody will give up their position without a fight.

What then, in our opinion, should be the top-priority tasks?

First, we must abandon, or at least substantially reduce, various types of price privileges for lagging enterprises in industry and agriculture, and thereby decisively curtail granting amnesties to mismanagement.

Second, we must limit bank credit resources by those accumulated savings of the population which would be sufficient to cover payments for the goods available.

Third, we must carry out the kind of price policy on producer goods which would support the tendency to lower them. The dynamics of these prices ought to be brought into line with the dynamics of the growth in labor

productivity and the socially necessary labor costs. This will bring about a reduction in cost outlays and, consequently, also in losses throughout the entire agroindustrial complex.

But let's look at things in a sober light. Even as a result of carrying out the demands which we have mentioned above, we would not succeed in eliminating the overall shortage in one fell swoop. It still cannot be done without specific price hikes on certain items and, at the same time, price reductions on other items. But such hikes must be carried out in overt rather than covert forms. They must also be conducted in a well-balanced manner and at a slow pace.

At present we do not have a satisfactory system of prices and price formation. This is conducive to the shortage and to incongruities. For example, the relationships of prices on various types of meat products are utterly incongruous. Throughout the world dressed poultry is cheaper than pork, but in our country it is just the reverse. We key the prices of dairy products not on protein content, but rather on fat content. Woven and knitted fabrics made of synthetic materials are cheaper than cotton, linen, and woolen ones throughout the world, but in our country it is the other way around. Wallpaper in our country is more expensive than satin or chintz.... In short, prices must be changed; nowadays they are ridiculous! But should this be done in the manner proposed by the USSR Goskomtsen?

Let's imagine the following scenario: prices on food products have been raised, and the population has been provided with compensation. But nobody knows on which item or to what degree the demand will rise or fall. All we can do is hazard some suppositions. Most likely, the demand for meat and dairy products will decline, but will increase for fish, vegetables, potatoes, and industrial goods. But are there additional reserve stocks of these items? There are none. And, of course, production cannot be increased just overnight. Well now, should we increase the prices on all the remaining items? And no matter how much we may play games with the prices, we will eventually return to the previous objective relationships which production dictates to us. To be sure, this new spiral will now occur at a higher price level.

And so, must we really proceed along such a complicated route? Let me repeat: prices need to be changed, but this must be done gradually. Let's say, for example, we could raise the price of meat by 10-20 kopecks once every six months. At the same time we would lower the price of dressed poultry by this same amount of 10-20 kopecks, and the production of dressed poultry could be increased at a more rapid pace.

We take the position that a swooping cavalry attack would not cure the old, entrenched diseases of our economy; the latter could just dig in deeper.

And one last point. In their speeches the representatives of USSR Goskomtsen have alluded to some kind of democratization in price formation. They present this as follows: USSR Goskomtsen will supposedly convey certain rights to the lower-ranking organs with regard to setting prices. But what does this have to do with democratization? This is a matter of decentralization: prices would be dictated by a local bureaucrat instead of a Moscow bureaucrat doing so—that would be the extent of all the changes. But true democratization, in our opinion, must consist of questions pertaining to all the people and to every individual person being discussed and argued out. Moreover, we must discuss not merely the completed plans of USSR Goskomtsen, but also the nature and thrust of the plans which are still being worked out. Only then will we be secure from errors and the necessity of returning once again to the problems of prices.

2384

HOUSING, PERSONAL SERVICES

Supreme Soviet Session Will Appraise Housing Situation

18270059 Moscow *PRAVDA* in Russian
20 May 88 pp 1-2

[Article by M. Buzhkevich, *PRAVDA* special correspondent: "The Supreme Soviet Is Examining"; first paragraph is *PRAVDA* introduction]

[Text] A regular session of USSR Supreme Soviet is opening on 24 May. Among other things, it will discuss the work of soviet and economic agencies to insure the fulfillment of the housing, cultural and consumer services construction program that the 27th CPSU Congress outlined. A large amount of organizational and analytical work by the permanent commissions of the USSR Supreme Soviet houses and by many of its deputies has preceded the convening of this session.

Each house of the USSR Supreme Soviet—the Soviet of the Union and the Soviet of Nationalities—has two permanent commissions having a direct relationship with the solution of the housing problem: the one for construction and the construction material industry and the one for communal housing and urban facilities. They have established a joint preparatory commission to combine their efforts. They have sent a memorandum to a number of deputies, recommending problems to which they should primarily pay attention beforehand. In addition, they have requested the required materials from the presidiums of the union republic supreme soviets and from more than 20 central economic, legal and financial departments, ministries and public organizations.

The materials had arrived in the preparatory commission by 15 Apr, i.e., more than a month before the session. They demonstrated the interest of the people's deputies and the ability of many to delve into the essence of the population's interests. What did the study of the problem reveal?

At the beginning of 1986, each inhabitant of the country had 14.6 square meters of total area on the average (besides habitable rooms, it included kitchen, pantry, built-in cupboard, corridor, entrance, toilet, bath, and other subsidiary areas). The optimum norm per person is 19-20 square meters. In order to add the missing five-six "squares", it is necessary to invest 500-600 billion rubles in housing construction. If we add to this the expenses for expanding urban facilities and the network of children's institutions, schools, hospitals, polyclinics, consumer services, etc., then 900-950 billion rubles are required all told. This means that society is faced with spending approximately a trillion rubles before the end of the century. Such a special-purpose social program has never existed throughout the entire history of the soviet state. In order for it to become a reality, it will be necessary to strain the "muscles" of the state and the people. Indeed, it is necessary to build houses with a total area of 2.3-2.4 billion square meters, or 36 million apartments (26 million in cities and 10 million in the village) before the end of the century. It is necessary to build up the capacity of the construction industry in a mobile way, to use local resources fully, and to involve the population on a broad basis in the erection and finishing of the houses. It is necessary to strengthen and expand the single customer service in city and oblast ispolkoms and return to the progressive form for organizing construction—the Orlov continuity.

For the sake of fairness it is necessary to mention that a vast housing construction program was also planned during the Fifties and Sixties. The establishment of a prefabricated-housing construction industry began at that time. For a number of reasons, however, we did not carry out the program; the task, as they say "disappeared in the sand." During the subsequent years of stagnation or—it is more accurate to say—economic "ebbing", housing construction was noticeably reduced. Its share of total capital investments decreased from 23.5 percent at the beginning of the Sixties to 14-15 percent by 1985.

Remembering this "misfire", we must now reliably guarantee the fulfillment of what has been planned and insure that every Soviet family indeed has a separate apartment or individual house by the year 2000. To do this, it is necessary to determine very alertly, thrifitly and overzealously what is hindering our forward movement today or what will begin to delay it tomorrow. See and eliminate!

Let us begin with housing. Data for each republic and for the country's large regions stand behind the average figure of the population's total area supply. In the Baltic republics, this area is 17 or more square meters per

inhabitant on the average but in the central Asian republics it varies from 10 to 11.3. In Belorussia, those same Baltic republics and the Ukraine, it is necessary to increase the commissioning of housing by approximately 40 percent in comparison with 1985. In Kazakhstan, Kirghizia, Turkmenia, Tajikistan, and Uzbekistan, it must be increased more than twofold.

The leaders of some republics, as if putting blinders on their eyes, do not want to see and understand this. In compiling the housing construction program in Uzbekistan, for example, they put half of the commissioning of new houses into the 14th Five-Year Plan; in Andizhan Oblast—even more (61 percent). In other words, it is necessary to increase the volume of housing construction sevenfold. Is this realistic? You automatically think that the authors are latching onto similar “calculations” for the sake of their own present tranquil life. You see, they will have left their jobs after 10-12 years and the mess they have stirred up will have to be disentangled by other—younger—leaders. The method is not a new one. Many authors of “schemes” at the end of the Sixties and the beginning of the Seventies did the same thing—today, we are reaping the “fruits” of their “wise” leadership and there is no one to make responsible.

From where will we get the resources for housing construction? There are quite a few leaders, including ones of soviet bodies, who are convinced that it is the task of the state to provide such investments. However, all of society must look for them. Here, for example, is how the knowledgeable opinion of USSR Gosplan specialists views the distribution of the investments for building housing. During the present five-year plan, 363 million square meters of the 656 million planned for commissioning will be built using state capital investments; and 106 million—by individual builders. During the 14th Five-Year Plan, the ratio of these two sources of financing should look as follows: 150 and 300 million square meters (of the planned 850 million). These are not “wishful” figures. In 1960, individual builders constructed more than half of the housing built at that time; however, in 1987, this segment and cooperative construction built only 21 percent. This means that the task is to build a very favorable climate for individual builders, as the recent CPSU Central Committee and USSR Council of Ministers decree on expanding individual construction pointed out. That is why deputies to the USSR Supreme Soviet: N. Bituyev, chairman of the Lenin Banner Kolkhoz in the North Osetian ASSR's Digorskiy Rayon; G. Bandrovskiy, first secretary of the Transcarpathian Party Okkom; and A. Kostenyuk, chairman of the Orenburg Oblispolkom, are today posing questions about the need for a timely—without procrastination—allotting of parcels to builders, simplifying the system for granting them credit, and improving the supply of materials and equipment.

Assets from enterprise social and economic development funds are another source of investments in housing construction. Last year, only 5.5 percent of the housing

built was erected using them. You see, the share of this type of construction should be at least a quarter of the total number of houses built by the year 2000. The mobilization of resources and manpower to expand housing construction is taking place everywhere. They are “cutting” these allocations in some departments. In the Central Chernozem Economic Region, the shortage of machine operators, animal breeders and other workers reached 100,000 at the beginning of last year. Tens of thousands of people have annually left the local villages because of the shortage of housing. However, the RSFSR Gosagroprom reduced capital investments in the construction of housing there by 13 million rubles in 1986 and another five million last year in comparison with 1985.

Another example. Approximately 170,000 families of workers in the enterprises and organizations of the USSR Ministry of Construction in the Northern and Western Regions of the USSR need improved housing conditions. In order to eliminate this line, it is necessary to build 1.3 million square meters of housing annually for personal use. Not even a million has been commissioned during the past two years. The directors of the RSFSR Gosagroprom and the Ministry of Construction in the Northern and Western Regions of the USSR have repeatedly emphasized the importance of a complete and timely solution to the housing problem from platforms at various levels and in directives, orders and instructions. What should one call their position? A gap between words and deeds? Or the replacement of restructuring with a clever “addition” to it?

We built a construction conveyer line long ago. Its work, however, does not satisfy today's and—even more—tomorrow's tasks. The capacities for producing items for prefabricated buildings are hardly being used more than four-fifths.

This is not the first year that we have talked about shifting the work of enterprises, which produce reinforced concrete structures—to a continuous work week with three shifts. However, the majority of these plants are still working only with one-two shifts and stop work on Saturdays and Sundays. Half of the calendar time is being lost because of this. The construction ministries are clearly not in a hurry to restructure in this plan.

The high rates of housing construction, which have been achieved during the first two years of the present five-year plan, evoke satisfaction: Approximately 250 million square meters have been handed over—five million more than planned. The successes, however, could have been more significant if the construction conveyer line had not suffered interruptions in a number of oblasts and republics where they have not learned to work accurately, smoothly and conscientiously. In 1987, the commissioning of houses was disrupted in 19 oblasts in the RSFSR, the Ukraine and Uzbekistan as well as in Armenia, Georgia, Azerbaijan, and Tajikistan.

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Who will provide an exhaustive answer as to when will the construction material industry finally begin to supply construction projects with everything necessary? Whereas in 1986, idle time reached 30 percent in the total amount of losses of builder's work time, it was 39 percent last year. This growth was caused to a great extent by a shortage of plumbing fixtures, linoleum, asbestos cement pipes, bricks, cement, and much more. During the past year, Ministry of Construction Materials Industry combines and plants failed to deliver 137,000 bath tubs and 700,000 mixers to the builders. Meanwhile, 610 million rubles for the building of this industry's enterprises were not assimilated during the first two years of the five-year plan. Knowing all this, it is even more surprising to read the information sent to the USSR Supreme Soviet by S. Voyenushkin, the minister of the construction materials industry, at the request of the preparatory commission. It enumerates the numbers for the planned increase in the production of various materials and items without any shadow of alarm and in an elegiac tone, and makes critical comments addressed to the ministries who are disrupting equipment and material deliveries. There are no suggestions about how to organize the supplying of construction projects with everything that is required and that is of the highest quality.

AUCCTU leaders are also miserly in this sense. It would seem that in defending the workers' interest, the trade unions should follow the observance of social justice especially jealously during the distribution of housing. In letters arriving in PRAVDA and, of course, in the trade union committees, people report the imperfections in the rules in effect and the numerous cases of their violations. The impression, however, is taking shape that all of this does not trouble the AUCCTU. Why shouldn't the trade unions and the local soviets respond to the proposals expressed in the press and conduct a general "census" and inventorying of housing assets? As a result, what housing we have available and how it is distributed would be established. Undoubtedly, this will help in solving the housing problem. Unfortunately, all this was "outside" the AUCCTU report to the Supreme Soviet permanent commissions.

Perhaps, you sense the vitality of stereotypes with special force when you acquaint yourself with the state of affairs in urban facilities and in the social and cultural area. The long condemned "residual principle" in the approach to them, it seems to me, continues to be healthy and operate. Take capital repairs and the reconstruction of existing housing assets—this is an appreciable reserve of apartments for the population. According to RSFSR Ministry of Housing and Municipal Services data, 35 billion rubles are required to modernize old homes using prescribed norms. A total of two billion are still being allocated per year. With such miserly financial "injections", capital repairs will be stretched out by 17 years and will be completed at the beginning of the next century when the next "wave" of buildings requiring renovation will arrive.

There are many "holes" in municipal services. Almost a third of the cities in Russia are experiencing a water shortage; they are staggering water to houses according to a schedule. A steady supply of heat is not being insured in 42 large industrial centers. The total shortage of heating capacities for the federation has reached one-fifth of the requirement. Only seven percent of village housing has gas. The network of hospitals, polyclinics, houses of culture, and clubs is being built up slowly.

This is the picture that appears. Is it possible to overcome everything that is interfering with the solution of the housing problem and the development of the social area? It is possible and it is extremely necessary. Success lies in an analytical and critical understanding by the appropriate Supreme Soviet permanent commissions of what has created the state of affairs here and in their preparation of real and sound recommendations for the session. The country's parliament will examine these problems without the usual self-accounting and in a business-like, scrupulous, thorough, and creative manner. Their solution will receive a new and powerful impulse so that the housing, cultural and consumer services construction program will be completely realized on time.

08802

LABOR

Greater Trade Union Support in Job Resettlement Needed

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No 3, Mar 88 pp 1-4

[Article by Candidate of Economic Sciences A.A. Vedenikov: "Trade Unions and Social Aspects of Job Placement for Released Workers"; UDC 658.310.82 and 658.310.544]

[Text] The implementation of a policy of intensifying the national economy based on an acceleration of scientific and technical progress is associated with a number of socio-economic processes in the sphere of production. One of these is the job placement of workers who have been released in the conversion of production to a primarily intensive path of development and the acceleration of economic growth rates on that basis.

The continuous, year-by-year additional "injection" of manpower into the sphere of material production, including industry, without suitable concern by business and trade-union organs for improving the working and living conditions of the workers has not only not facilitated their efficient utilization, but has also had a negative effect on the balance of jobs and labor resources with an excess of the former over the latter, as a result one of the causes for the artificial creation of a shortage of personnel with all of its negative consequences, as well as the restraint of the development of the social and domestic spheres and the cultural welfare of the population, since the increase in labor resources is still distributed roughly equally between the productive and non-productive spheres. In the future, as envisaged by the resolutions of the 27th CPSU Congress, higher growth rates for the productivity of social labor compared to increases in national income signify that the Soviet economy will advance to a qualitatively new level of development: growth in production, for the first time, will be ensured with a simultaneous reduction in the need for labor resources. Whereas, for example, the number of industrial-production personnel grew by 6.5 million people over 1971-85 overall, over 1986-2000 it should decline (according to my calculations) by 6.2 million people. Under conditions of a flexible combination of planned organizational economies with an expansion of the rights and business independence of enterprises (associations), rapid technical progress accompanied by high growth rates in labor productivity and serving as a precondition for the complete and efficient employment of the population is not only possible, but essential. Broad possibilities for the resolution of many social issues are revealed thereby. Conditions for the dispatch of labor resources into the non-productive sphere (education, health care and the like) will be created as early as in the current five-year plan.

The solution of this problem requires the development of a socio-economic mechanism for managing the process of releasing personnel and their redistribution, training, placement and adaptation to new jobs. Theoretical and practical inquiry in this area is currently underway and certain experience has been accumulated.

Scientific and technical progress, as is well known, is the material basis for the release of manpower. It is namely with a rise in the technical level of production, its capital-to-labor ratio and the value of capital goods that reduce the share of human labor, which is reflected in growth in productivity and economies in its expenditure. In other words, changes in the ratio of the body of the means of production and the manpower putting it into motion condition the process of their release.

Under the conditions of growth in the scale of release of personnel, the role and place of the trade unions in implementing measures for the redistribution, retraining and placement of workers increases, since the solution of these problems affects the fate of specific people and their families. It is intolerable that manpower released during the process of mechanization be shifted to the same types of work, but non-mechanized. Also socially unacceptable is the transfer of released workers to new jobs with heavy working conditions harmful to the health of people for the purpose of preserving their former wage level. The resolution of these issues requires raising the role of trade unions and labor collectives both in devising and implementing technical policy and in organizing the monitoring of the course of incorporation and maintenance of measures of scientific and technical progress.

The activity of the trade-union committee of the Chelyabinsk Tractor Plant imeni V.I. Lenin PO [Production Association] is deserving of attention, where a model plan for the placement of 10,000 workers released from the shops and production sections year by year and for the five-year plan overall, as well as by categories of industrial-production personnel and proposed jobs for their placement, has been developed. This model plan was reviewed and approved at a joint session of the trade-union committee, business managers and the trade-union aktiv of the association. The placement of about 4,000 people is proposed in the outfitting of newly introduced production capacity for the principal products and consumer goods output, along with the sending of almost 6,000 people to fill out the non-productive organizations of the association and 250 to be placed outside the association.

Taking into account that the radical reconstruction of a number of types of production and shops associated with the incorporation and assimilation of the latest technology and highly productive equipment is accompanied by a reduction in the number of workers and changes in

their labor and jobs, the association trade-union committee has decisively supported the personnel department, which proposed permitting the unrestricted internal transfer of workers, specialists and support personnel. Such personnel transfers occur regardless of the causes for departure from the former job (change in profession, desire to work with relatives, conflicts and the like). Inter-shop transfers are usually restricted at many enterprises, so that to go to a different shop, one must first quit the plant and then enter that shop. Personnel turnover arises as a result. At the Kharkov Tractor Plant imeni S. Ordzhonikidze, for example, such workers comprised 5.5 and 7.8 percent of the total number coming into the enterprise in 1985 and 1986 respectively.

The concept of the stability of collectives has been changed with the implementation of the principle of free internal transfers of workers, and the possibility has arisen of creating flexible collectives possessing great maneuverability in the utilization of personnel within the framework of the entire association rather than an individual shop or production section. This feature was manifested at the Chelyabinsk Tractor Plant imeni V.I. Lenin PO during the manning of one type of production that was coming into service after complete reconstruction. The management of the association had proposed returning the workers from that type of production who had been distributed among other subdivisions. It turned out, however, that after two or three years of work at their new jobs, the workers had become so adapted that only about 15 percent of those coming in were returning to their old jobs. This can be considered a positive phenomenon. On the one hand, the mass return of workers to their old jobs would have required taking new workers in their places, and a temporary drop in the productivity of their labor and loss of funds for their retraining could moreover not be ruled out. On the other hand, the manning of the reconstructed production equipped with progressive equipment required a qualitatively new approach to the formation of its composition. Analysis of the makeup of the collective of one of the shops showed that it was formed 46.3 percent of workers who had been transferred from other shops and possessed work and support skills for the new equipment, 24.4 percent from newly hired workers after training, 22 percent of workers and specialists who had taken part in the reconstruction of the shop, as well as former workers of the shop, and 7.3 percent from graduates of technical institutes and the city professional technical institute.

The implementation of the principle of free internal transfer of personnel with a regard for the interests of the individual and production facilitates a more rapid equalization of the socio-economic development of the collectives. Since administrative methods are not a restraining factor, business managers and trade-union committees of association subdivisions resolved to be more actively occupied with questions of improving working and living conditions and raising the technical and overall

educational level of the workers. The plan for the socio-economic development of the association for the current five-year plan allots an important place to the resolution of these issues, envisaging changes in the social and qualifications structure of the collective and the nature and substance of the work, including reductions in heavy manual labor. Definite work was done at the association in the last five-year plan to reduce manual labor, but the sweep of workers encompassed by mechanized and automated labor in 1985 reached just 69.7 percent, and only 20 percent of the workers were freed from manual operations. As the documentation for the working conditions of each job and verifications of the technical-safety state of the shops carried out at the association at the beginning of 1986 have shown, 39.8 percent of the workers are employed in heavy operations with harmful or especially harmful working conditions, of whom over a third are women. The plan for social development envisages raising the overall technical level of production to 89 percent and bringing the scope of workers employed in mechanized and automated labor to 80.8 percent while reducing the number of workers employed in heavy operations with harmful or especially harmful working conditions by a third via releasing them from the harmful shops, including the foundry shops.

One of the most important criteria for evaluating the activity of plant branches, production areas and shops in the quarterly summing of competition results is the level of scientific and technical progress. Indicators are used to typify it that are weighted by the following factors: 0.15—plan fulfillment for new technology; 0.10—incorporation of inventions and efficiencies; 0.20—assimilation of organizational technical measures; 0.30—the execution of technical retooling; 0.15—the assimilation of new equipment and the utilization of NC [numerical control] machine tools and multi-purpose machine tools; and 0.10—the execution of the certification of jobs and the freeing up of workers and equipment. The factor is corrected by the percentage of plan fulfillment if the targets for individual indicators are unfulfilled. The magnitude of the summary factor is linked to the prevailing situation with the payment of bonuses. With a factor equal to one, the size of the bonus is increased to 30 percent compared to its magnitude projected for the results of the basic business activity of the production subdivisions of the association. With a factor less than 0.75, the size of the bonus is decreased by 20 percent, and not paid at all if the factor is less than 0.70.

Great significance is attached to the creative integrated teams created by the NTO [scientific and technical department] sections in the development and realization of measures for the technical retooling of production. The collective creative plan, approved by the NTO council after coordination with the administration, lies at the heart of their activity. Contract obligations may be concluded between them and the association administration to involve the teams in the resolution of especially important technical tasks in which the sequence and deadlines for the fulfillment of essential operations, the

procedure for material and technical supply and the size of additional material compensation are defined. Bonuses of 75-150 rubles are awarded to the collectives of teams that achieve the best results compared to the approved norms in the freeing up of jobs, reductions in labor- and materials-intensiveness and increases in labor productivity and product quality and reliability. Monitoring, summing of results and methodological guidance for the activity of the creative teams are charged to the NTO councils of the production subdivisions.

The intensive retooling of the association based on the incorporation of new equipment and progressive technology has revealed a marked lag in the level of technical knowledge and the general educational and professional-skills training of the workers and specialists behind the level of technical equipping of production. Progressive equipment, on the acquisition of which millions of rubles were expended, is frequently utilized at poor efficiency as a result.

This has conditioned a fundamentally new approach to the professional training of workers, specialists and managers within the production subdivisions. At the Chelyabinsk Tractor Plant imeni V.I. Lenin, for example, the prevailing system of personnel training has been reviewed. Approved by association order in accordance with a comprehensive program of technical retooling are:

—measures for the rapid and continuous training and skills enhancement of personnel, envisaging: the subdivision and categorization of equipment being incorporated; time periods for its incorporation; the goal of training (study of the technological process, devices, operating conditions, repair support); the duties and specialties of the workers studying; the number of people subject to training; and, the time periods for training;

—a schedule for training for working with NC machine tools, robots and manipulators which indicates: the duties, specialties and training periods, place for holding classes (branch of the Institute for Skills Enhancement (IPK), the association technical-training department, the Chelyabinsk Polytechnical Institute among others); the class regimen (partial breaks from work, no break from work or complete departure from production); and, the subdivisions that will be sent for training.

The association sent 80 workers and specialists to the machine-building plants of Moscow, Ivanovo and Togliatti in 1986-87 for the purpose of assimilating and setting up new equipment being incorporated into production. The workers and specialists that completed the training are employed as teachers and instructors in the course network. Some 31 specialists completed training at a special department of the Chelyabinsk Polytechnical Institute in promising new areas, and in particular in the fields of "Automated Planning Systems," "Flexible Automated Production" and "Microprocessor Systems." They are used as instructors in the course network and at

the Chelyabinsk Branch of the IPK for workers and specialists on the new equipment. The following requirements are observed in assembling students: having completed higher education, under 45 years of age, no less than three years of practical work and direct participation in the operation and repair of the future equipment.

A University of Scientific and Technical Progress in Machine Building has been created in the association based on the Chelyabinsk Branch of the IPK for the purpose of continuously raising the skills of middle-level management personnel and specialists (chiefs of shops, sections and shifts, designers and process engineers) with the following departments: "Flexible Production Systems," "Robotized Process Complexes and Industrial Robots" and "Equipment with NC and Multi-Purpose Machine Tools." The association has sent 500 technicians to the polytechnical institute over the course of the four years of the new fields.

The initiative of the team of Mechanical Shop No 2 headed by A.G. Karachunov has great significance—they resolved to raise their general educational and professional-and-technical level over the current five-year plan. The motto of the initiative is "New Equipment—New Knowledge." There is in effect a statute on additional payments for achieving a high level of mastery on the scale of 4, 8 and 12 percent of the wage scale for grade 3 workers, 8, 12 and 16 percent for grade 4 workers and 16, 20 and 24 percent for grade 6 workers in order to raise the vested material interest of the workers in enhancing their skills and professional mastery within the association.

Imparting great significance to the development of this movement to support the projected program for intensifying production and mobilizing the collectives to seek out and put into effect existing reserves for improving the utilization of production potential at every job based on continuous, rapid training and skills enhancement, the trade-union committee, in conjunction with the association NTO council, did much work to extend the initiative of Karachunov's team. Measures were developed to render engineering assistance to the team collectives in raising the general educational, professional-skills and professional levels of the workers, in composing socialist obligations and assimilating new equipment. Schools of technical progress were organized to teach workers in a 20-hour program.

The initiative of Karachunov's team was supported and extended to practically all sectors of machine building in Chelyabinsk Oblast. An oblast school for exchanging work experience was organized based on the Chelyabinsk Tractor Plant imeni V.I. Lenin Association in which representatives of the trade-union councils and specialists and team leaders from machine-building enterprises took part. This initiative was supported by about 3,000 teams in Chelyabinsk Oblast.

Definite experience in retraining and raising the skills of personnel, as well as training newly employed workers, has been accumulated at the Kharkov Tractor Plant imeni S. Ordzhonikidze and at the Kharkov Elektromash imeni V.I. Lenin, Chelyabinsk Clock and Watch, Moscow Krasnyy Proletariy imeni A.I. Yefremov Machine-Tool Building and other plants. At the Orel Yantar Clock and Watch PO, for example, the "Training, Retraining and Personnel Skills Enhancement" ASU [automated management system] has been developed. It provides for the accumulation of data on the skills enhancement of personnel in the principal and allied professions, which makes it possible to optimize the planning of professional training and its management. Two types of information can already be obtained at the first stage of incorporation of this system: information on workers who are not increasing their skills in the stipulated time periods, and information on the training, retraining and skills enhancement of personnel in every shop or department. It is easy to monitor the fulfillment of personnel professional-training plans with the aid of this information.

Analysis has shown that as a result of the timely training and retraining of the personnel at the Yantar PO, the working conditions for the workers and specialists that have been released and placed have been improved, and their wage levels have grown, with the rise in their skills. The average wages for the team of welding-equipment operators, for example, has increased from 170 to 240 rubles.

The process of releasing workers is still of a provisional nature. The majority of the workers released are redistributed within the framework of the enterprise itself after the completion of the corresponding retraining or skills enhancement. The needs of enterprises for skilled personnel are thus satisfied to a certain extent, and their shortages are reduced. The provisional release of personnel as a result of the incorporation of new equipment, however, costs the state dearly.

Analysis of labor-productivity growth has shown that the share of labor economy as a result of the incorporation of measures of scientific and technical progress has increased appreciably in recent years both overall for industry and for individual enterprises being studied. The proportionate share of provisionally released workers for industry overall increased from 23.8 (9th Five-Year Plan) to 40.7 (11th) percent. Spending per provisionally released worker increased from 11,700 to 22,400 rubles therein.

The efficiency of the measures for new equipment being incorporated are reduced for a number of reasons:

—due to violations in the proportionality of spending for mechanization, automation and technical improvements in production. If it is taken per unit of spending for each

provisionally released worker as a result of technological improvements in production, spending for the mechanization and automation of production has increased by 12 times;

—due to the insufficient attention of business managers and trade-union committees to questions of improving the systems for managing, planning and organizing production and labor, spending on which is 4-6 times less than spending on automation and mechanization;

—due to the high costs of constituent items in instrument building and the electronics industry. This, on the one hand, restrains the incorporation of new technology that would facilitate declines in labor-intensiveness, reductions in the shortage of machine-tool operators and transition to the output of new types of products distinguished by high quality. On the other hand, it restrains the release of personnel (especially at enterprises producing domestic items) and is associated with considerable growth in retail prices. At the Yantar PO, for example, the transition to the output of quartz rather than mechanical watches is being restrained. With the proportionate output of the one and the other on the scale of 50 percent, their average retail price doubles.

Such forms of trade-union work as competition and collective contracts among others are being utilized insufficiently in managing the process of releasing personnel and resolving the problems associated with it. An analysis of the qualitative substance of socialist obligations, collective contracts and plans for social development of the collectives shows that they are overloaded with quantitative indicators for the incorporation of measures for new equipment and the numbers of students encompassed by various types of training and skills enhancement, which do not give a complete representation of the technical, economic and social consequences of the incorporation of these steps and their effect on a reduction in jobs, declines in the proportionate share of workers employed in manual labor and increases in professional-skills and general educational levels.

Currently, as practice shows, the process of re-qualification and transfer of released workers to new jobs is taking shape basically spontaneously, and an accounting for those released and monitoring of their later placement has not been set up, while planning principles for this work are lacking. An underestimation of the necessity of regulating the socio-economic aspects of releasing personnel is sometimes leading to negative consequences. The incorporation of progressive equipment at the Uglich Chayka PO made it necessary to release and place 81 workers. They were not retrained in timely fashion and thus 38 of the released workers were dismissed, 11 were placed in less skilled positions and 32 were registered as students.

There exist preconceived notions regarding work personnel released as a result of the incorporation of new conditions for wage payments and the implementation

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of measures of scientific and technical progress, and in their placement at other enterprises, they are considered "job hoppers" rather than having been cut back for objective reasons. Enterprise personnel services frequently have a poor command of labor legislation and commit errors in the formulation of the labor records of workers released through cutbacks. The people's courts must thus restore some of them to their former positions. All of this is a source of conflicts and reduces the efficiency of the organizational activity of the trade-union committees and the realization of plans for technical retooling, as well as the resolution of the associated problems of releasing workers and redistributing, retraining and placing them.

In order that the released worker does not suffer socio-economic harm when he has a conscientious attitude toward labor, it is essential to develop a smooth, economically harmonious and socially efficient system for releasing and placing workers based on plan principles, since these processes do not arise unexpectedly. Every enterprise has a state plan for the economic and social development of the collective that is linked with the

technical retooling of production. The enterprise trade-union committees should require materials on proposed releases and the scale of them from the administration in advance. These materials should be considered at workers' meetings and trade-union committee sessions. The enterprise trade-union committees should establish close mutual ties with the sector committees and trade-union councils in order to solve the problem of placing workers that have been released, and the committees and councils should take on the obligation of rendering assistance in selecting new jobs for these workers, making use of business ties with the enterprises and the organs of state management for labor resources. It is possible to reduce the number of conflicts that arise in releasing workers by formulating the dissolution of the labor agreement with them in a legally correct manner. The councils of the trade unions, in conjunction with the territorial organs for job placement, must thus organize universities for training the workers of the personnel services in this area.

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TECHNOLOGY, ACQUISITION, ASSIMILATION, COOPERATION

GDR-USSR Cooperation in Heavy Machinebuilding

18230042a Moscow EKONOMICHESKOYE
SOTRUDNICHESTVO STRAN-CHLENOV SEV in
Russian No 2, 1988 pp 22-27

[Article by Karl-Heinz Meltzer, director for marketing and foreign economic relations at the Karl Liebknecht Machine Building Plant: "Experience in Bi-Lateral Collaboration Between Magdeburg and Penza: Successes and Lessons"]

[Text] In December 1986, the Penza Compressor Plant of the "Penzmash" (USSR) Scientific Production Association and a machine building plant in the city of Halberstadt, of the Heavy Machine Building Combine imeni Karl Liebknecht CKL (city of Magdeburg in the GDR) signed an agreement calling for direct production and scientific-technical relationships. The development of such relationships is directed toward the carrying out of branch programs for collaboration between the USSR Ministry of Chemical and Petroleum Machine Building and the GDR Ministry for Heavy Machine Building and Integrated Units and for the realization of those tasks set forth in the All-Round Program for Scientific-Technical Progress Among CEMA Member Countries Up To the Year 2000.

Halberstadt Machine Building: Production Profile

This is the second largest enterprise of the SKL combine—one of the largest producers of diesel engines and industrial units in Europe. Its chief task has been and continues to be that of satisfying the export requirements of shipbuilding in the GDR for medium speed diesels with high power ratings and also for gas compressors of opposite design for the chemical industry and gas supply for the GDR and other member states of the Council for Mutual Economic Assistance.

All of the diesels and compressors being built at the enterprise at the present time are high quality products developed entirely at the combine. At the Leipzig Fair, they were awarded gold medals repeatedly and particularly in 1987—a unit for the main drives of a "Murkan" type railroad trade ferry. The high symbol for quality of the Committee for Standards, Metrology and the Testing of Products of the German Democratic Republic was conferred upon the opposite compressors produced at the Halberstadt Plant.

Compressor construction at the Halberstadt Plant has a long tradition. Since the plant was first founded, all stages in the development of piston compressor construction have been covered. Horizontal slow-speed large-piston compressors have been created in its own

design and planning bureaus and they have subsequently been employed in the chemical industry of the GDR, PNR [Polish People's Republic] and KNR [Chinese People's Republic].

Subsequently the path of development proceeded from vertical piston compressors to opposite compressors and this has defined the production profile in compressor construction since the mid-1960's. Today use is being made of opposite compressors with a high efficiency factor and which operate almost flawlessly at all chemical enterprises of the GDR and also within the gas supply system and the entire gas industry of the PNR. Jointly with leading firms such as UDE (Federal Republic of Germany), "Toyo Inzhiniring" (Japan) and "Fest-Alpine" (Austria), solutions have been found for certain complicated technical tasks of compressor construction for units for the production of chlorine, polyvinylchloride and also complexes of visbreling and aromatic hydrocarbons.

A Partnership Which Combines Accurate Computations and Technical Thought

The initial deliveries to the USSR of compressors which did not require lubrication were carried out through the Hungarian "Khemokompleks" enterprise. Thus the foundation was laid for close and extremely fruitful collaboration with the Soviet "LenNIKhimmash" Scientific Research Institute. An example of such collaboration—the testing of Soviet designed direct flow valves having a high efficiency factor in compressor units of the GDR and the importing of these valves from the USSR for a low pressure zone.

By supplying the Soviet Union with two and three-stage air compressors, our plant provided considerable assistance during the past five-year period in satisfying more completely the requirements of the national economy for compressor equipment. However, the development of relationships between enterprises was not always in the best interests of both countries. In particular, prior to the middle of 1986 the Soviet consumers were exhibiting new requirements with regard to the products being obtained from the GDR. In light of the program laid down during the 27th CPSU Congress for raising the effectiveness of the national economy, strong requirements were advanced for increasing deliveries and the quality of the traditional products being exported by the GDR.

As a result, prior to the beginning of 1987 the Halberstadt Plant was unable to conclude an annual contract for compressor deliveries in the volume called for in the agreement on commodity turnover and payments for the 1986-1990 period. In this regard and together with their foreign trade organization, the representatives of the plant held a consultation in Moscow with Soviet consumers.

From the beginning, this work encountered serious difficulties, since the Soviet foreign trade organizations were unable to organize such consultations with the Soviet specialists—consumers of the GDR products. The participants in the initial consultations were for the most part workers attached to various USSR ministries and their subordinate institutes. The only exception was the consumers from Donetsk Oblast, who requested that their consultations be held directly in the areas where the compressors were to be installed in mine facings.

As a result of a rapidly organized visit by our mine facing specialists, it became clear that the compressors sent to the USSR Ministry of the Coal Industry were to be used for the modernization of existing units. At a time when the principal purpose of our output is the erection of new air-compressor stations, the foundation for these compressors, which must be in keeping with a higher technical level, is a compact and light platform-like foundation. Moreover, the volume of deliveries included pipeline systems which were assembled in advance and which reduce considerably the assembly time for compressors provided they meet the specific technical and construction conditions for compressor units already in operation. Thus, while directly at a mine facing, the GDR and USSR specialists composed and coordinated the planning solutions for a specific unit. This coordinated planning solution eliminated completely the possibility of employing a plan for a construction survey for a pipeline system assembled in advance. As a result, the compressor station was successfully placed in operation only after the compressor was again supplied with pipelines and adjusted with the participation of a representative from the office of the chief assembler.

Subsequently and jointly with a Soviet importer, an overall valuation of the existing situation was furnished and another consultation was held with the specific customers for our products. It turned out to be considerably more effective than the previous one, since the direct consumers of the compressor units participated in it. It turned out that a requirement existed for a complete list of the plans and framework systems for all of the compressors obtained from the GDR. The desire on the part of Soviet consumers to obtain compressors for particular production conditions and at optimal prices is both legal and understandable.

During the course of preparing a long-term agreement for commodity turnover between the USSR and the GDR, air compressors were included on the list of products to be produced in the GDR. The annual volumes for deliveries of these compressors to the USSR were stipulated.

The Halberstadt Machine Construction Plant responded very quickly to the Soviet requirements and proposed the delivery of a new two-stage compressor based upon a series of standard compressors developed by it, which however we are not employing in each climatic region with the same output parameters. At the same time and

within the framework of the interbranch agreement on collaboration, the Soviet side displayed interest in establishing direct cooperation with the GDR in the production of air compressors, with the intention being of carrying out this work based upon a Soviet design. In August of 1986, the Halberstadt Plant was visited by a delegation of specialists from a Soviet production enterprise and the USSR Ministry of Chemical and Petroleum Machine Building and negotiations were carried out on possible cooperation in technology and production.

With use being made of the production capabilities of the GDR, the Soviet side proposed the production of Soviet designed compressors for a specific use, units which from a technological standpoint would be completely different from those already being used by us. This is not in keeping with the interests of the GDR. As already emphasized, the chief task of the only producer of piston compressors with an assigned range of capabilities in the GDR is that of satisfying the requirements of the producers of chemical and power engineering units in the GDR.

In addition, we are covering the gas compressor requirements of the PNR and VNR [Hungarian People's Republic]. A conversion over to the production of Soviet designed air compressors, taking into account existing production capabilities, would result in failure to satisfy the requirements of the GDR and other CEMA member countries for special compressors.

During the course of negotiations, we explained our national economic responsibility and proposed scientific-technical cooperation for the joint creation of a more efficient compressor, one which in principle should be designed and modified depending upon the technical tasks supplied by the consumers to both producers of the compressors. During the course of further negotiations, the GDR proposed to its Soviet partners the joint creation of a new type of compressor. The negotiations were continued in the USSR directly following the signing of an inter-governmental agreement in November 1986.

Based Upon Direct Relationships

By agreement with the USSR-GDR Inter-governmental Committee, a draft agreement was developed. In this agreement, emphasis was placed upon the fact that the direct production and scientific-technical relationships already established were directed towards organizing the cooperative production of general purpose compressors and their units, in the interest of satisfying more completely the national economic requirements of both countries for modern products that would be in keeping with the high international standards. The plans called for the solving of the following tasks:

—increasing the production and exporting of products which would be in keeping with the technical level and

quality of the best international models;—further improving and modernizing products as a result of joint scientific-research and experimental-design work;

—mutual assistance in the adjustment of equipment, introducing the latest technologies into operations, organizing the joint testing of new or improved equipment, introducing unified technical requirements for jointly produced products;

—organizing cooperation between the producers and consumers of the products.

Either jointly or on the basis of orders, the partners can carry out scientific-research and experimental work, in the interest of achieving technical innovations and conformity to the international level. They can also carry out the exchanging, purchasing and sale of the results of scientific and technical studies achieved by the contracting parties, provided they are not inventions and conform to the system established in each country.

The partners can make recommendations to the USSR Ministry of Chemical and Petroleum Machine Building and the Ministry for Heavy Machine Building and Integrated Units of the GDR:

—on collaboration in the modernization or technical re-equipping of production;

—on the coordinated or joint purchasing in third countries of licenses and “know how” and collaboration in their use;

—on specialization in the production of the final product, including on the basis of cooperation and the coordinated or joint creation of the capabilities required for the production of specialized final products.

The agreement on direct relationships stipulates that each of the sides must provide its own financing for the work to be carried out in accordance with the programs for collaboration. In addition and in the interest of efficiency in the mutual turning over of product models, individual units, parts, rigging instruments, other instruments, materials and so forth and in the mutual presentation of services, the Penza Compressor Plant and the machine building plant in the city of Halberstadt may jointly conclude annual global contracts with their foreign trade organizations for an agreed upon sum, with no instructions as to the specific nomenclature of the goods, services or prices and with computations to be carried out at the end of the year.

It is important to emphasize that the prices for the corresponding goods and services are coordinated through the drawing up of an overall agreement and for mutually supplied goods and services—on the basis of existing principles for price formation among CEMA member states.

It is recalled that we still lack a unified opinion concerning the inclusion in the agreement of the scientific-research and planning works concerned with the creation and mastering the production of a new compressor as the chief goal of direct relationships.

In accordance with a request by the GDR, the following points were included in the protocol for the November conference:

1. The goal of direct relationships—the joint creation of a modified compressor, the production of which is satisfying the requirements of both sides with a high degree of effectiveness.

2. An improvement in the consumer properties of the GDR compressors as a result of the use of tested sliding bearings and packing elements and also material-conserving Soviet produced heat exchangers, as a prerequisite for further satisfying the requirements for air compressors in conformity with a long-term agreement for commodity turnover and guaranteed marketing of the volumes therein agreed upon, including a guarantee for cooperation.

3. The creation on the part of the GDR of an automated technological line for the production of pistons of a welded design; the delivery of “know-how” and essential technological elements.

The agreement was initialed in December 1986. At the same time, Minkhimmash actively promoted the establishment of direct contacts with enterprises, the compressor requirements of which could not be satisfied in 1987 by means of domestic production. As a result, contracts were concluded for the delivery of 20 more compressors in December 1987, after which the optimum operating conditions of the compressors were discussed and coordinated with the chief designers of the three consumer-ministries.

In February 1987, during a meeting of specialists, the agreement was signed and the subsequent and specific operational stages were defined. In the process, an understanding was reached on the degree of GDR compressor modernization, with emphasis upon the bearings, packing elements and heat exchangers, and also on deliveries of modernized compressors in conformity with the long-term agreement on commodity turnover.

Subsequently, a review was undertaken of the questions concerned with the development and sale of Soviet technology for welded pistons, including deliveries of technological equipment. The schedule for concluding contracts through the foreign trade organizations was established for both positions.

As a result of subsequent consultations with Minkhim-mash and its NII [scientific research institute] for compressors, success was achieved in reaching an understanding on the creation of a new compressor, as the chief trend for direct relationships, after which the specialists of both sides, jointly and without delay, define the stages for NIOKR [scientific research and experimental design work] and their principles and they prepare a contract on the work of both sides. The goal—the mastering of production at both plants by the end of 1989.

As a result of this great work, we achieved an increase in the effectiveness of collaboration through the establishment of direct relationships.

In February 1987, based upon standard agreements for scientific-technical and production collaboration and the coordinated volumes and schedules for delivering units to the Penza plant, as called for in the appendix to the agreement on direct relationships, the GDR guarantees the delivery to the USSR of a modernized air compressor commencing with the second quarter of 1988.

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RAIL SYSTEMS

Problem of Summer Operation in Central Asia Noted

18290119 Moscow GUDOK in Russian 4 Jun 88 p 1

[Article by G. Krutonog, chief engineer in the locomotive service of the Central Asian Railroad: "A Northern Variant for the South"; first two paragraphs are GUDOK introduction]

[Text] Whereas the winter is the most difficult time of year for locomotive workers on the European and Siberian railroads, the summer brings the greatest test for their colleagues on the Central Asian Railroad. You see, the series-produced machines are little suited for operating in a hot and dry climate. The diesel engines do not stand up and overheat.

Whereas we previously reconciled ourselves to this, now—with the shift to cost accounting—such a situation becomes intolerable; the losses are too great. A locomotive is needed which will operate dependably in the country's southern regions. This is the guarantee of stability in the future. But what about now when it is necessary to increase shipment levels and earn a profit? G. Krutonog, the chief engineer in the locomotive service of the Central Asian Railroad, reflects on this problem.

Not so long ago the current work indicators of the locomotive assets on the Central Asian Railroad completely satisfied everyone. Today, however, restructuring is inducing each one of us to search for reserves in any successes. During the last three years, for example, the amount of damages and trips by diesel locomotives for unplanned repairs has been reduced several-fold. Non-production expenditures have been reduced by more than 1.5-fold. As a result, the railroad has sharply reduced the amount of breakdowns en route. This indicator is now one of the minimal ones on the network.

However, such results did not come easily. During recent years alone, we commissioned 11 shops for routine repairs and nine for the technical maintenance of diesel locomotives. We are not reducing exactingness on the observance of technological discipline and the very strict following of the schedule for planned and preventive maintenance. Yes, we are doing everything possible so that the equipment will be operational. However, our efforts would have been much more effective if they had delivered special "southern" models of diesel engines to us.

The series-produced machines are intended for operations under a maximum temperature of plus 40 degrees. This limit is considerably reduced after prolonged operation. Our heat steadily holds above 40, reaching 50 degrees on some days. Add the deserts and salt-marshes, through which a considerable portion of the tracks run, and dust storms. All of these have a destructive effect on

the equipment. The diesel engines overheat so much that the locomotive crews are forced to halt even at crossings so that the engines will not break down.

These cases are of a massive nature. The summer summaries of operations of practically all of the railroad's divisions are literally covered with reports about the stopping of trains—and each time for 20-40 minutes. This represents hundreds of thousands of ton-kilometers of unperformed work, tons of overexpended fuel, a swollen locomotive park, and crew overtime work.

This, however, is only one side of the coin.

The unsuitability of the diesel locomotives for operations in the southern regions compels us to expand the repair base unjustifiably and spend massive manpower, assets and materials on additional work to prepare the diesel locomotives for the summer. It is necessary to remove the cooling section on practically every locomotive for cleaning and testing. All of these cares are extremely labor intensive, cause significant downtime in repairs and require quite a bit of expenditures.

We reconciled ourselves to this for many years. Now, when the road has shifted to cost accounting and when life forces us to consider each ruble of profit and each kopeck of loss, there is no possibility of putting off the question of producing special "southern"-modified diesel locomotives. You see, life has shown the need for building locomotives for BAM [Baykal-Amur Mainline]. Our summer conditions in no way yield to the extreme Siberian ones. The simplest calculations show that it is much more effective and cheaper to adapt a diesel locomotive for hot places in a plant than to torment oneself with series-produced machines, constantly waiting for them to stop.

How do we see the "southern" diesel locomotive. First of all, it should be designed to work at a temperature of up to plus 50-60 degrees. The machine must have a cooling capacity reserve and a short-term power augmentation mode in the fans for operations during even hotter daylight hours. It is necessary to equip the cooling system with devices for continuously cleansing salt from the cooling water. Devices for monitoring the water level with an indicator on the engineer's panel are also required. We also cannot manage without a more effective air filter for trapping dust and without improved cooling of the traction engines with a higher level of insulation. The locomotives should have a high level of fire safety and normal conditions for the crew. In a word, it is necessary to provide much of this so that a diesel locomotive will operate dependably in our location. We think that it is mandatory to coordinate the specifications for the manufacturing and delivery of the locomotives with the railroads. We no longer want to purchase a pig in a poke. We do not need equipment that is best suited for manufacturing in a plant and not for operating under actual conditions.

**Economic Benefits of Proposed High-Speed Line
Detailed**

18290121 Moscow *GUDOK* in Russian
24 May 88 pp 1-2

[Article by Ye. Sotnikov, doctor of technical sciences, under the "On the Tracks of Modernization" rubric: "The Center-South High-Speed Line"; first three paragraphs are *GUDOK* introduction]

[Text] Moscow—As is known the branch is developing a program for the radical modernization of transport in accordance with a decision by the CPSU Central Committee Politburo. Its purpose is to raise all of the branch's railroad facilities to a new and very advanced technical level, and, on this basis, to improve the carrying of freight and passengers in a qualitative manner.

In starting a new rubric entitled "On the Tracks of Modernization", the editors hope that readers will also submit their proposals and suggest more beneficial ways to use and develop the accumulated scientific and technical potential.

We begin this rubric with a story about the project to design the Center-South high-speed line.

The program for radically modernizing rail transport, which is being developed in accordance with a decision by the CPSU Central Committee Politburo, provides for the building of high-speed mainlines for passenger traffic. Travel speed will reach 300-350 kilometers per hour. The trains on these lines will carry the heaviest passenger traffic for significant distances and will assure mastery of the growing passenger traffic.

It is possible to say today with complete justification that the whole world has adopted a course toward high-speed travel. The lines already built in Japan, France, Italy, and the FRG are not only operating with a high utilization factor but are also providing a large economic effect. According to statements by specialists themselves, the network of high-speed special passenger lines abroad will reach 10,000 kilometers in the near future.

Without intending a comparison, I would like to cite calculations for our country, which would show our need for high-speed lines. Here are the statistics. Approximately 2.7 billion passengers are transported annually by all types of transport between our cities. In other words, each Soviet inhabitant makes approximately 10 long distance trips a year on the average. This would seem to be quite a large number. However, our number of passenger-kilometers (5,100), which one inhabitant of our country travels, is lower in comparison with the developed countries of Europe and America by approximately threefold—and this despite the fact that they have considerably less territory.

This will rapidly increase with the growth in the population's prosperity and "mobility". This means that new

transport capabilities are required. High-speed ones are the most advantageous from an economic point of view.

The question can arise: Why was the center-south avenue—from Moscow to the rayons of the Crimea, North Caucasus and Black Sea Coast of the Caucasus—selected for this? (Later, the Leningrad-Moscow line will also be included in the high-speed loop). The answer is as follows: The new mainline will fundamentally change the situation with respect to transport support on the European territory of the USSR.

The fact is that not only will train travel time from Moscow to the Crimea be reduced from 22 to 5-6 hours but travel time to the resort zone rayons of the Caucasus will also be reduced more than threefold. The supertrains on this territory will have a number of advantages when compared with traditional types of transport, including airplanes.

The world's experience shows that with the commissioning of high-speed lines a rather large portion of passenger traffic is shifted from air and motor transport to rail. This has its own explanations.

First, the total expenditure of time on a trip is reduced. On a 1,000-kilometer journey, it is comparable to the time required to use airplanes. At distances of 2,000-3,000 kilometers, even though the time spent traveling by train is increased by three-five hours, the train passenger can use it for valuable rest during a nighttime trip.

The second reason for the greater profitability of supertrains is that a ticket costs less than an airplane ticket.

It is possible to estimate how passengers "will spend" their time on the Center-South line. For example, the journey from Moscow to Kharkov will take three hours and from Kharkov to Zaporozhye—another hour and a half. In addition, these high-speed trains will also service nearby cities located at some distance from the new line. It will be possible to get from Moscow to Dnepropetrovsk in 3.5-4 hours although the high-speed mainline will not pass through Dnepropetrovsk itself.

Naturally, the comfort level and traffic regularity will be higher than on air transport. Incidentally, that is why the high-speed mainlines have been built in the most thickly settled regions of Japan, France and other countries. For example, the Shinkansen line in Japan services an area in which more than 60 percent of the country's population lives. The line's high utilization level is achieved because of this.

It is quite rightfully said that transport is the means for accelerating progress and civilization. High-speed transport corresponds to this characteristic doubly and triply. Tens of millions of Soviet people will be able to travel between cities considerably more easily and rapidly. This will also be reflected in increased labor productivity in the regions, rest will be more valuable, expenditures on trips will come down to the accompaniment of higher comfort, etc.

The national economy will also gain through reductions in expenditures of power for shipments and savings in unused supplies of high quality fuel. One passenger-kilometer on high-speed mainlines is today the cheapest based on the specific power expenditures in the world. Generally speaking, the annual savings of high quality fuel will reach approximately 700,000 tons on the Center-South avenue by transferring part of the traffic from bus and aircraft.

The safety level on high-speed lines is also extremely high. Many years of experience in Japan and France testify to this. Not a single wreck has occurred and not a single passenger has been killed during the entire time the superline has been in operation there. It is unnecessary to talk about the ecological advantages when compared with other types of transport. Purity is practically complete. There are no nitrogen oxides, no sulphur oxides, and no thousands of tons of "burned" air one gets with jet aviation and motor vehicles. There is none of this. Based on the noise-level "contamination" of the environment, there is also no comparison. The experience from using high-speed trains in France has shown that these trains "produce" no more noise than normal ones at speeds of 260 kilometers an hour thanks to their good aerodynamics and the special design of the track. Moreover, the Center-South line itself will be planned to bypass large cities at a distance of 10-30 kilometers.

Finally, the question about allocating land for the right-of-way can be raised. They say that the new roads will take large areas. This is so. However, let us look at it realistically. You see, the required level of the population's rail transport support has not been achieved even today. Compare: The average density of the rail network in the European part of the USSR is only 18.4 kilometers per 1000 square kilometers; in the FRG, it is 112.3; in Great Britain—70.5; and in France—63 kilometers. In general, our country's territory is covered by fourfold fewer railroads than in comparison with, for example, the United States.

Therefore, even a cursory listing of the advantages of the new high-speed line shows the need for its construction. Furthermore, the development of a high-speed loop could go further: On the more heavily traveled passenger avenues, it could connect the European part of the USSR with the CEMA member countries and the West European states. The total optimum length of these high-speed lines is 10,000-10,500 kilometers. This advanced type of communications could embrace approximately 80 percent of the population.

Specialists have already calculated the end benefit. To sum up, each inhabitant of the country could save up to 20 hours of personal time on trips each year.

The establishment of convenient high-speed communications will stimulate the expansion of individual and organizational tourism, including international tourism. The Japanese experience with high-speed railroads has

shown that they whip up an increase in income from tourism; it is increased severalfold. The gain lies not only in this. The use of high-speed lines—when they are free of passenger traffic—by special refrigerator trains insures the rapid delivery of fruits, fresh greens and vegetables from the south. Moreover, conditions on high density freight avenues will be substantially eased and additional opportunities for expanding freight shipments will be created.

The supertrains can bring such a national economic benefit. The building of the first section of them on the Moscow-Simferopol by 1996 is completely realistic. To do this, however, it is necessary to shift from research and surveys to design work this year so that construction can be fully underway at the beginning of the 13th Five-Year Plan.

However, one must first completely settle self-financing questions. I think that new approaches—in the spirit of restructuring—are required here. Since this construction is unusual, it is necessary to finance it not in the usual way, i.e., only from the state budget. In my view, interested departments, organizations and the population should participate in it. In any event, it is possible to test investment-finding principles that are new for our country.

Of course, USSR Gosplan must provide the lion's share of assets. At the same time, however, such republics as the RSFSR and the Ukrainian SSR, can search for their own sources of financial assets since the new transport is being built primarily for the inhabitants of these republics and for the economies of these regions. The allocation, for example, of 100 million rubles a year from each of these republics would permit a noticeable improvement in construction conditions. The Transcaucasus republics could also make a contribution to a certain degree; you see, travel time from them would also be reduced considerably. The oblast organizations could assume guardianship over the construction of the railroad approaches to the future right-of-way.

Undoubtedly, the republic gosagroproms could also do their bit since transport service is being improved for them and the safe-handling of perishable goods will be guaranteed. The financing of deliveries of the new series-produced rolling stock is within the capability of the machine building complex. For the Ministry of Heavy and Transport Machine Building, for example, this would be a very large order for machine building products. Incidentally, the conditions for exporting supertrains abroad can be established; in this regard, it is necessary to reach and surpass world standards.

Of course, there can also be other ways to finance the Center-South line. It seems that one should not forget to involve the assets of the population. For example, it is realistic to issue a long-term loan or to sell shares with the subsequent payment of dividends from the profit received. The stage-by-stage commissioning of the line—

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first to Kursk, then to Kharkov, and so forth—will permit interest payments on the loans to begin three-four years after the start of the line's construction. Voluntary payments from organizations and private individuals are not excluded.

It is practical to test the principle of voluntary financing for the high-speed mainline and, possibly, the participation of foreign firms. In any event, it is now already

clear that the organization of trips by foreign tourists will also help to repay the new enterprise more rapidly. One cannot reject any opportunity for reasonable investment. Having checked all nonstandard approaches, we will be able to bring closer the time when fast, comfortable, beautiful, and profitable superexpress trains will ply the country.

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